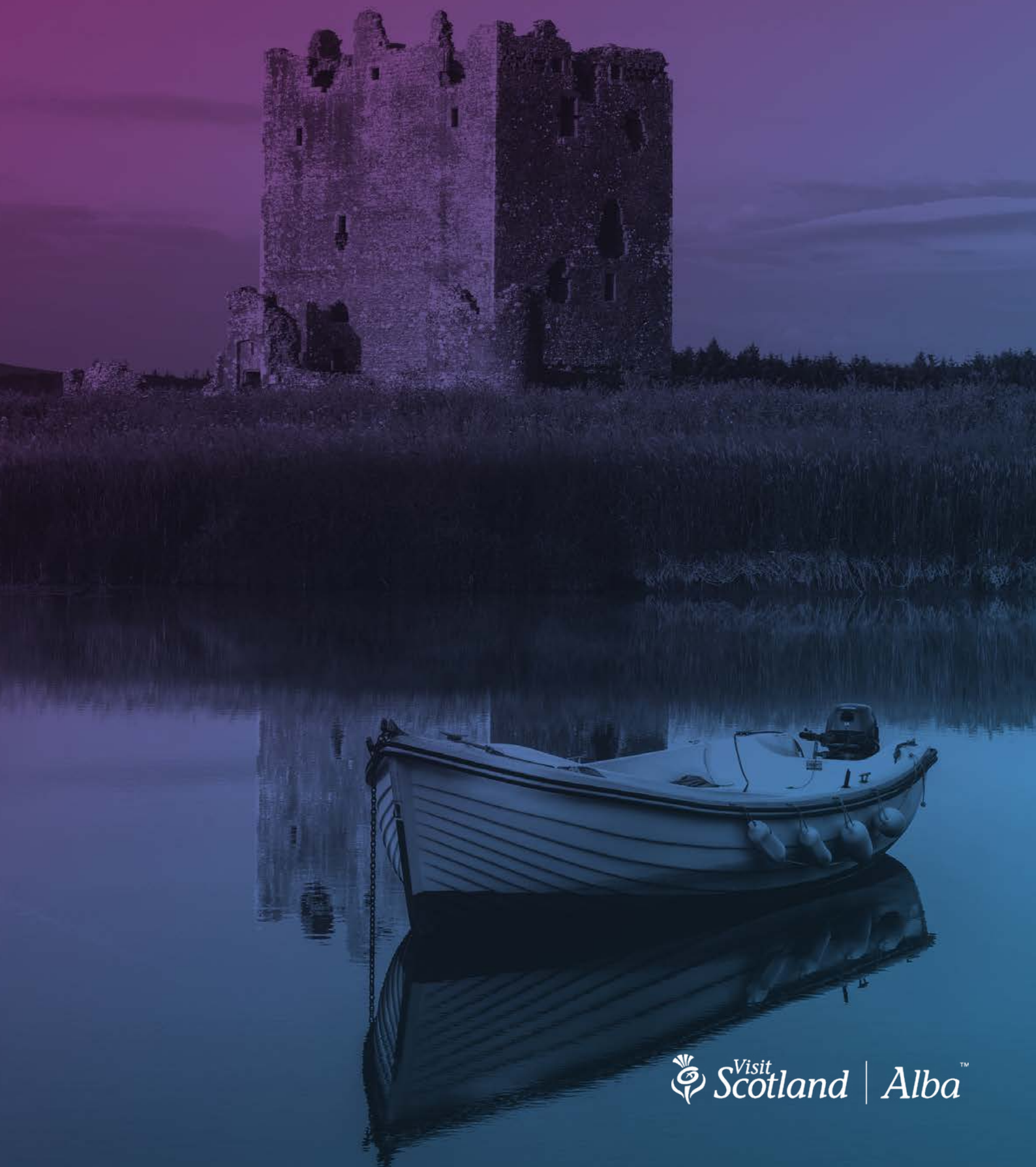


Annual Report and Financial Statements

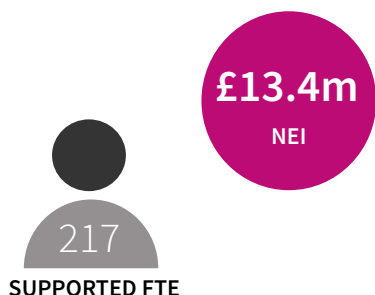
for the year ended 31 March 2019



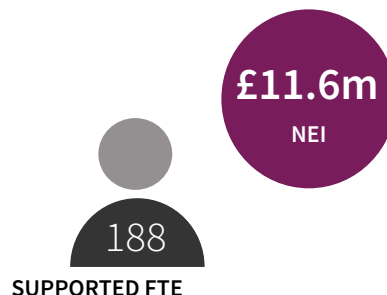
Our highlights

In 2018/19, VisitScotland contributed to generating the following performance outcomes for the Scottish economy;

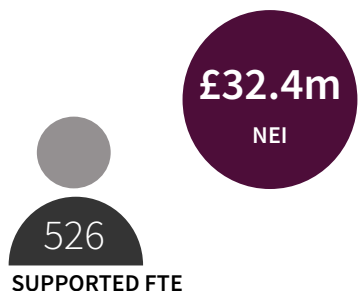
MARKETING



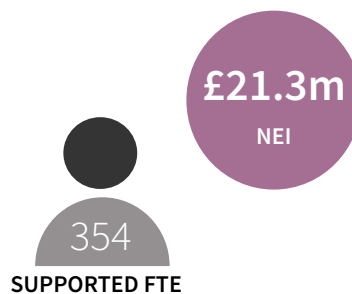
INTERNATIONAL CONSUMER
MARKETING – SHORT HAUL/EUROPE
(Jan 2018-Dec 2018)
PILLAR 1
(pages 13 - 22)



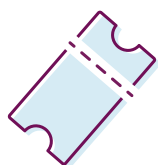
INTERNATIONAL CONSUMER
MARKETING – LONG HAUL
(Jan 2018-Dec 2018)
PILLAR 1
(pages 13 - 22)



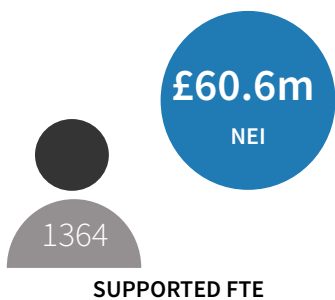
ROUTE DEVELOPMENT
PILLAR 2
(pages 23 - 32)



UK & IRELAND
CONSUMER MARKETING
(Mar 2018-Feb 2018)
PILLAR 1
(pages 13 - 22)



EVENTS

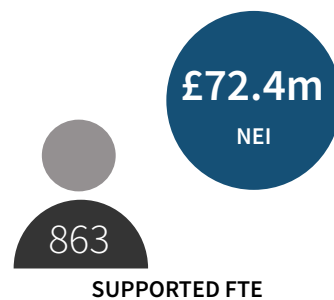


SUPPORTED FTE

INTERNATIONAL PROGRAMME

PILLAR 1

(pages 13 - 22)

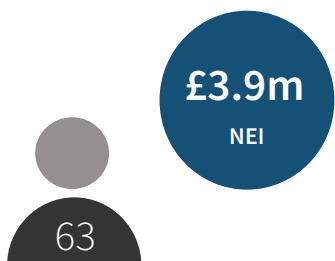


SUPPORTED FTE

GOLF PROGRAMME

PILLAR 1

(pages 13 - 22)



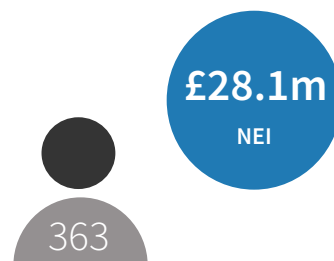
SUPPORTED FTE

EXPO 2018

(Exhibitor impact)

PILLAR 2

(pages 23 - 32)



SUPPORTED FTE

NATIONAL BID FUND

PILLAR 1

(pages 13 - 22)



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Chairman's foreword



The Rt Hon. the Viscount Thurso

VisitScotland has continued to invest in partnerships and information and promotional channels that our visitors respond to and increasingly expect.

2018-19 was VisitScotland's 50th year of operation celebrating the 50th anniversary on 26th July 2019 of the creation of the Scottish Tourist Board. The visitor economy has been a Scottish success story. From an economic value of £100m (£1.1bn in today's money) it has grown to £11.2bn a 900% increase. The industry has created wealth, jobs, and opportunities and VisitScotland has been a proud partner in that success.

While it is right to look back at success it is more important to look forward to the new challenges and opportunities which face the visitor economy going forward.

VisitScotland has continued on its journey to becoming a world class organisation as we deliver against our Strategic Framework by building a visitor shaped destination brand; investing in Scotland's tourism and event communities; and by facilitating collaboration and embracing change in a global digital economy.

Our Annual Report provides a snapshot of how we've been doing this and the impact our work has on the visitor economy, Scotland's international reputation and communities around the country. This year we have focused on developing talent and technologies to keep Scotland ahead of the competition ensuring Scotland's ongoing success as a leading visitor destination.

Our workforce, made up of flexible, specialist and passionate people who embrace change, is critical to our success and we have continued to develop a people strategy that helps colleagues deliver their very best.

In this year we nurtured and developed our younger workforce as we delivered The Year of Young People 2018, where right from the start we put our colleagues at the heart of activity. This led to a number of initiatives that put our young people centre stage, enabling them to help VisitScotland bridge the leadership gap and play an increased role in encouraging other young people to consider careers in tourism.

Our innovative people strategy which has been central to success this year, has also seen us take a fresh look at mainstreaming equality and diversity through all we do and we have continued to work to advocate the importance of inclusive tourism across our industry.

It has also been another year of building tools, partnerships and skills in digital technology. Whilst we don't believe that technology will ever replace the experiences our visitors have or the relationships we create with them, we do believe that the right technology helps visitors find and share what they love about Scotland.

To make sure this happens VisitScotland has continued to invest in partnerships and information and promotional channels that our visitors respond to and increasingly expect.

Partnership is key in all that we do and this extends to working with technology partners. We have a proven track record in attracting and building these relationship to benefit the growth of tourism across the country. We will continue to identify and work with new partners who, through their expertise, can help the industry continue to develop.

This year has been another in which our country has broadened its appeal and attracted further investment to maintain its leading destination credentials. I would like to thank our partners for their ongoing support and our industry's resilience in the face of Brexit.

Looking further forward sustainability, both economic and environmental, poses substantial challenges. These are also opportunities. The future visitor not only wants great experiences delivered in a friendly and professional way, but also to know that their trips are consistent with environmental best practice. Scotland is well placed to develop product that meets these aspirations.

The team at VisitScotland are outstanding and I thank everyone for their immense contribution to our success. I also take this opportunity to thank my fellow Board members for all their hard work. They do a marvellous job through their individual and collective insight, knowledge and ambition for tourism.

Chief Executive's statement



Malcolm Roughead OBE

Our vision is that every visit enriches Scotland and the people we welcome

Tourism is a powerful and positive force for change and Scotland has continued to enjoy an enviable position as a leading visitor destination in this reporting period.

Our vision is that every visit enriches Scotland and the people we welcome. Last year that was 15 million people from across the globe who chose to travel to Scotland to enjoy some of the very best experiences on offer anywhere in the world.

Don't just take my word for it. Last year the accolades continued and included Dundee, named in Lonely Planet's Best in Europe 2018, and Highlands and Islands named as a must-visit destination 2019.

Inspiring people to visit Scotland is just the start of our job and the start of a life-long relationship that benefits the whole of Scotland. Tourism presents a unique opportunity to learn from others, build communities, share ideas, embrace diversity and build a vibrant and dynamic economy. This is exactly what VisitScotland has continued to do in this last year.

Scotland is Now is this sentiment in action. Launched in April 2018 during Scotland Week in the USA, then by the First Minister in China that same month, the global campaign has brought together VisitScotland with the Scottish Government, Scottish Enterprise and Universities Scotland to promote Scotland in a new unified way.

The campaign delivered impressive results immediately with 23 million views of the suite of campaign videos, and almost 55,000 uses of #ScotlandisNow.

Brexit has been in the background to success in the financial year of 18/19. Whatever may lie ahead the industry has shown resilience in the face of challenge, and positive sentiment towards Scotland remains very strong.

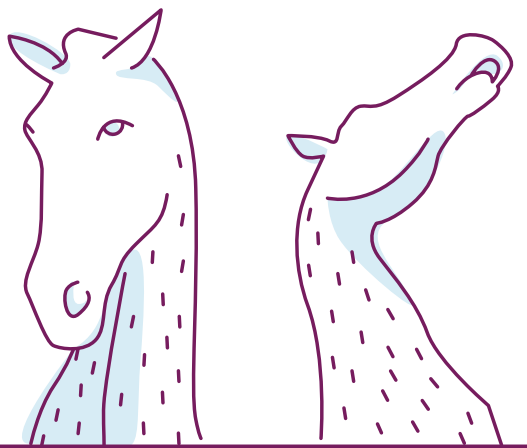
This was underscored by the full year international results for 2018 and a 10 per cent increase in overseas tourism visits to Scotland; which was driven mainly by European visitors, who made 19 per cent more visits to Scotland in 2018 than the previous year.

VisitScotland understands that success requires management in some areas of the country. In this year there are two key projects we have been delivering to alleviate pinch points, whilst ensuring greater movement of visitors across the country.

The £6 million Rural Tourism Infrastructure Fund has funded 17 projects around the country, ensuring high quality experiences can be enjoyed by visitors, whilst limiting any impact on the quality of life enjoyed by local communities. Furthermore our successful work in delivering the See South Scotland campaign is shining a light on this region as never before, as we tell our visitors about the fantastic things to do in Dumfries and Galloway and the Scottish Borders.

Through our work with dedicated industry partners, and by continuing to invest in our talented workforce, we are determined to ensure the benefits from tourism are enjoyed across the country in a way that sustains communities and our natural environment. Our activity this year shows that we can deliver growth to the visitor economy and that we are taking the correct steps to manage this in a sustainable way.

Statutory background



VisitScotland shares the industry ambition of growing tourism revenues by £1bn by 2020 from a baseline of £4.5bn

STATUTORY BACKGROUND

VisitScotland was initially established as the Scottish Tourist Board under the Development of Tourism Act 1969. The Tourist Boards (Scotland) Act 2006 formally changed the name of the Scottish Tourist Board to VisitScotland. Under the 1969 Act, the principal function of VisitScotland was to encourage British people to visit and to take holidays in Scotland, and to advise Government and public bodies on matters relating to tourism in Scotland. The Tourism (Overseas Promotion) (Scotland) Act 1984 provides the authority for VisitScotland to market Scotland overseas.

VisitScotland's main office is in Edinburgh, and there is also a network of VisitScotland iCentres and local offices throughout the country.

Key strategic objectives, issues and risks

VisitScotland's core purpose, as set out in the Corporate Plan, is to deliver sustainable and inclusive economic growth throughout Scotland. In so doing, we will play a key role in delivering against the shared industry ambition as set out in Tourism Scotland 2020 of growing tourism revenues by £1bn by 2020 from a baseline of £4.5bn.

To deliver our core purpose, VisitScotland adopted the following strategic pillars for 2018/19:

- Pillar 1 - Building a visitor-shaped destination brand
- Pillar 2 - Investing in Scotland's Tourism and Events Communities
- Pillar 3 - Facilitating innovation and embracing change in a global digital economy
- Pillar 4 - Enabling good to great to world class

These strategies provide the framework for our performance measurement arrangements and our risk management framework (page 56-59).

The key strategic risks for VisitScotland are detailed on page 57. Looking forward, VisitScotland will also have to consider the following matters:

- how it maintains effective support for, and partnership with, tourism businesses
- how it maximises digital technology for the benefit of the tourism industry in the delivery of the wider economic and community benefit
- how it manages the uncertainties arising from the impending departure of the United Kingdom from the European Union

The financial statements have been prepared on a going concern basis (page 76).

In delivering our strategies we have contributed to the delivery of the four pillars laid out in the Scottish Economic Strategy below:



INVESTMENT

- quality & sustainability
- national tourism development framework
- data driven



INNOVATION

- marketing partnerships
- digital/data
- discovery plan
- social media strategy
- outreach programme



INTERNATIONALISATION

- quality & sustainability
- national tourism development framework
- data driven



INCLUSIVE GROWTH

- accessible tourism
- social tourism
- national events programme
- local engagement

Our performance

A visit to Scotland is just the start of our job, the start of a life-long relationship that benefits the whole of Scotland. Tourism presents a unique opportunity to learn from others, build communities, share ideas, embrace cultural differences and build a vibrant and dynamic economy.

Our vision is for every visit to enrich Scotland and the people we welcome. In delivering this vision VisitScotland will ensure its activities are aligned to the two key pillars of Scotland's Economic Strategy, namely increasing competitiveness and tackling inequality.

VisitScotland's core purpose is to stimulate new and sustainable and inclusive growth in the visitor economy. By doing this

we play a key role in delivering against the shared industry ambition as set out in Tourism Scotland 2020 of growing tourism revenues by £1bn by 2020 from a baseline of £4.5bn.

To achieve this VisitScotland has grouped and aligned activities across three strategic pillars; **building a visitor-shaped destination brand; investing in Scotland's tourism and events communities;** and **facilitating collaboration and embracing change in a global digital economy.**

A fourth pillar reflects our ambition to be a **world class organisation** whose employees are treated with respect and fairness, encouraged and supported to help them fulfil their potential.

Building a visitor-shaped destination brand

VisitScotland inspires a life-long love affair with Scotland by building long-term relationships with potential visitors. We achieve this by developing a strong and appealing national brand, supported by a set of innovative digital channels that ensure the continued growth of the visitor economy.

Through this pillar we work closely with industry and regional partners and mobilise the expansion of information, inspiration and advice to visitors. This helps to ensure that tourism is spread across our country, benefitting our communities, whether they be in cities, towns or rural locations.

We also secure and deliver unique and inspirational sporting, cultural and business events which showcase our industry's and country's talents and enhance our global reputation as the perfect stage for events.



Scotland is Now

1,000 uses of #ScotlandisNow every day

458m views views of visitscotland online content

£46.3m net economic activity

visitscotland.com

20.8m total site traffic in 18/19

2.5m referrals to individual businesses

increase of **9%** on py

increase of **12%** on py

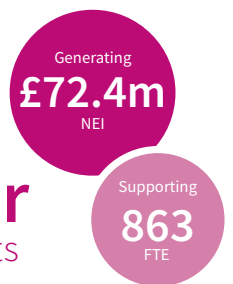
International Events Programme

30 supported events



Golf Programme

£3m invested in **7 major** golf events



Building a visitor-shaped destination brand

SPOTLIGHT ON OUR WORK

VisitScotland's leadership in the creation of Scotland's first global campaign, Scotland is Now, combined with our innovative approach to marketing has delivered impressive results again this year, with our consumer marketing campaigns delivering £46.3 million of net economic impact to Scotland.

VisitScotland was an early adopter of digital marketing, with our award winning campaigns showcasing over 9000 businesses to the world and driving referrals to our partners. This year's impressive reach and conversion underscores the effective targeting of our campaigns, the depth of our consumer insights and the power of digital innovation.

DRIVING NEW VISITS

Continued marketing investment in our digital and social channels has helped to generate business for Scotland's tourism community by driving increased quality traffic from our key markets, resulting in more people looking at our listings. At the same time, investment in digital channels has allowed VisitScotland to deliver more effectively and efficiently.

We have continued to focus our consumer marketing activity in our core markets of the UK, France, Germany and North America. Campaign content achieved over 458m impressions with 83.4m video views on the VisitScotland channels.

The digital transformation programme has remained a key focus, with the launch of the new visitscotland.org, which is now in phase two development, the start of our marketing

automation project and Destination Management System procurement, and work on our refreshed visitscotland.com.

Our Brand Scotland partnership has vastly extended the reach and impact of our collective efforts in core markets with a joined-up programme of activity to raise awareness of Scotland and positively influence perceptions.

SCOTLAND IS NOW

Working with partners in the Scottish Government, Scottish Enterprise and Universities Scotland, we launched the first ever national global campaign for Scotland – Scotland is Now and established the pan-agency Brand Scotland team.

Launched in New York during Scotland Week in April 2018 and then in China by the First Minister later that month, #ScotlandIsNow and campaign channels have raised awareness of Scotland as a place to visit, do business, live, work and study. It has enabled us to generate a bold and consistent narrative for Scotland behind which we can all galvanise our efforts to become much greater than the sum of our parts.

The Scotland is Now web portal, Scotland.org, is the world's gateway into Scotland and its redevelopment has seen web visitors grow by 62%; with particular growth witnessed in our key target markets: 61% increase in users from the US, 96% uplift from London, 408% more users from Germany, 290% increase in users from France, and a 1,025% increase in users from China.

As well as greater quantities of web traffic, the website is also driving better quality traffic, with considerable uplifts in all referrals to partner websites, including 78% more clicks through to VisitScotland.com.

In addition, social media platforms are thriving with a growing 50k person followership and consistently exceeding industry benchmarks with regards to engagement rates. What's more we're achieving a 90% positive sentiment rating.

The campaign is generating conversations - sustaining over 1,000 uses of #ScotlandIsNow every single day, with over 181 million views of our videos to date and over 34 million watched through to completion.

Our primary activity for Europe - 'Scotland is Open' - was our best performing campaign to date with record levels of engagement: over 80 million people reached with ads in just two weeks, with 27% awareness in the target markets of France, Germany and Spain (vastly exceeding our 10% target).

There were over 52 million plays of the Scotland is Open video with 25 million of these through to completion and thousands of positive endorsements and engagements across social media platforms generated.

Working closely with our China market team, Brand Scotland has also been implementing a new strategy and design elements to its Chinese platforms, including enhanced user journeys on Scotland.cn. The launch of our Scotland social channels is driving engagement with new audiences in market and allowing us to test content and creative. The emerging markets team has undertaken research to build robust insight in market to face into strong competition.

MARKET TEAMS: UK

In the UK, our major Spring campaign highlighted Scotland on Screen to capitalise on recent films such as Mary Queen of Scots, and the globally popular Outlander; worked with Inspirational OTA Secret Escapes to highlight less well known regions of Scotland; and targeted Families segment to encourage shoulder season breaks. Using a variety of channels, activity achieved over 2.5m video views and over 75k page views of web site content.

In addition we have continued success working with key industry players providing connectivity to and around Scotland, including Avis car hire and LNER trains, to extend our reach and efficiency in the UK market.

MARKET TEAMS: USA

Our US activity involved several strategic partnerships that drove considerable reach and added value. Working with our Brand Scotland partners we continued our strong relationship with broadcaster NBC, generating awareness and excitement around Scotland is Now messaging. The campaign exceeded expectations with 15m people viewing the '1st Look' show. The campaign generated 5.6k clicks to our landing page, a reach of 193k via NBC's social channels in the lead up to Scotland Week in April.

Another partnership with Matador Network looked to target millennials and young couples and challenge their perceptions of Scotland as a holiday destination. The campaign reached 3m people in the US and generated 1m completed video views.

MARKET TEAMS: EUROPE

In Europe, our Touring campaign ran in Germany and France, as well as the Scotland on Screen messaging. All activity overperformed, with the Touring campaign delivering 36m impressions and 143k visits to visitscotland.com.

MARKET TEAMS: EMERGING

Our first consumer campaign in China has driven exceptional results, outperforming forecasts – The Hainan phase two activity generated over 6.5m video views (140% of KPI) and 284k clicks (107% of KPI). Phase three continued this success with 27.6m impressions and 363k clicks (163% of KPI). Our social channels are quickly growing with a 6,000% increase in Weibo followers and 600% growth in WeChat followers in the last six months of the fiscal year.

We partnered with Emirates in 2018/19 to both promote Scotland in Australia and launch the new Dubai – Edinburgh route.

CASE STUDY

Promoting Scotland to a key market

We know that many Americans are fiercely proud of their Scottish heritage, but don't always want to necessarily research their roots in libraries and graveyards. We were keen to remind younger visitors, in particular, that exploring the home of your ancestors can be fun – and we also wanted to broaden knowledge of what to do on a vacation in Scotland beyond admiring our amazing scenery or visiting castles.

We teamed up with Matador – a global digital provider serving inspirational travel content to a wide range of potential visitors in US and Canada through their own website and social platforms; and Wade Holland – an outdoor adventurer with a large social following.

Working with Wade and a Matador film crew, and 11 partners from the Scottish Tourism industry across seven regions, we developed a four day action packed itinerary for Wade to give people a taste of what Scotland can offer. From visiting the V&A Dundee and then wakeboarding just outside on the Tay, to admiring the graffiti art at Kelburn Castle, we wanted to showcase a different side of Scotland.

We produced a 3.5 minute video with 30 second versions, entitled 'Not your Grandfather's Scotland' and pushed it out across our own and Matador's channels, as well as some paid support. In addition, partners shared the video. In total, we've reached nearly 2 million people so far and we have over 10,000 hours of view time on the video – and it's still going strong.



DIGITAL PLATFORMS

VisitScotland.com: Total traffic to the site in 2018/19 was 20.8m. Of that total, more than 15m visits were generated by organic search, an increase of 9% from the previous year. We saw increases in visits from the key markets: 9% from the UK; 15% from Germany; and 29% from France.

This upsurge in traffic translated into equally impressive increases in referrals to Scottish tourism businesses and partners, with just over 2.5m referrals to individual businesses in 2018/19 - a 12% increase year on year.

Based on an analysis of these referrals, over the past year, visitScotland.com has driven 1.2m accommodation referrals worth a potential £422m in bookings and an estimated further potential £18m in referrals to events and attractions.

Social Media: Our social media channels continue to grow and over the past year our organic social media posts have reached people a total of 543m times, equivalent to an estimated £1.5m media budget to reach the same audience through paid media. Over the year our social media followers have grown by 23% from 2.1m to 2.6m, with each individual post reaching on average 22% more people than ones published the previous year.

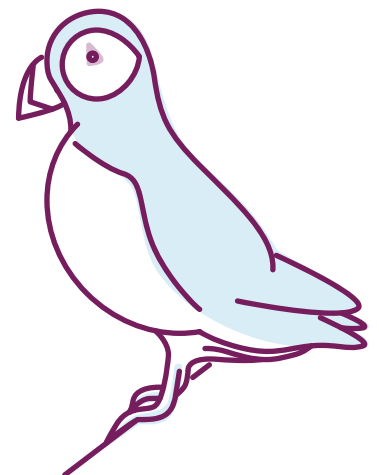
Regional takeovers continued with Dundee and Angus showcased, coinciding with the launch of the V&A Dundee. The activity included 29 posts published across Facebook including Live, Instagram and Twitter over three days, with coverage running across both VisitScotland and Scotland is Now channels. A single post reached over 233k people and is in our top five best performing regional features.

CONSUMER PR

Our work with international media in our key markets of Europe, North America, China and the UK continued to amplify VisitScotland's message this year, delivering impressive coverage for Scotland as a leading visitor destination.

The consumer PR team generated over 1,475 items of coverage during this period. With over 96% of coverage containing a key message about visiting Scotland. One of the most impactful projects was the team Scotland PR approach to the opening of V&A Dundee in September 2018.

The PR team worked with key partners to deliver over 450 items of coverage on Dundee and Tay Country and over 1,500 articles on the V&A, Dundee. Survey responses showed the opening of V&A Dundee generated a renewed confidence in the city, with 84% of attendees saying the launch festival positively impacted on their perception of Dundee.



INTERNATIONAL EVENTS

EventScotland is a specialist team within VisitScotland's Events Directorate providing expertise, leadership and delivery of funding programmes that ensure Scotland's reputation as the perfect stage for events goes from strength to strength.

The International Funding Programme is at the very core of EventScotland's business. Through this programme of investment, EventScotland funds major, world-class events that raise the profile of Scotland as a leading events destination around the world.

Through this programme EventScotland supported 30 events in 2018/19, generating £60.6 million net economic impact and £38.9 million GVA for Scotland and supporting 1,364 FTE jobs through increased visitation including tourists, spectators and participants.

Among those supported were the biennial Glasgow International Festival of Visual Art; the four day extreme running event Skyrunning World Championships, in the Highlands; Edinburgh's Hogmanay 2018, one of the world's greatest New Year celebrations; and the Muller Glasgow Grand Prix, the IAAF number one ranked indoor athletics invitational meet.

In line with our commitment to inclusive growth, of the 30 events funded, 58% were held outside Edinburgh and Glasgow and 55% were held out with the summer season - all adding to the increased dispersal of visitors across the country at different times of the year.

They included the Baxters Loch Ness Marathon and Festival of Running, which offers runners spectacular scenery, a fantastic atmosphere and a truly memorable experience. While in Speyside, Scotland's largest whisky producing region,

thousands of whisky novices, enthusiasts and connoisseurs attended the Spirit of Speyside Whisky Festival, a five-day festival featuring more than 500 whisky-inspired events.

Five new international events were funded in 2018/19. The Artichoke Trust's Processions, a once-in-a-lifetime mass participation artwork celebrated one hundred years of votes for women. Cricket featured in this year's portfolio with the Scotland vs England One Day International Cricket and Scotland vs Pakistan T20 Cricket, with spectators enjoying this fast version of the game. The Special Olympics GB 40th Anniversary Games, where, as part of the preparation, VisitScotland delivered a business workshop in Stirling to support local businesses meet the needs of the athletes attending, and to provide advice on the importance of inclusive tourism. The two-day 3D Festival celebrated the momentous opening of the V&A Dundee.

A crucial element of EventScotland's role is to lead bids to secure major events for Scotland, and in this year five bids were won: the Mountain Bike World Cup returned in June 2019, underscoring Scotland's credentials in staging the sport; the IFSC European Championships Lead & Speed Climbing 2019 at the Edinburgh International Climbing Arena Ratho - Europe's largest indoor climbing arena; the Sprint World Orienteering Championships 2022, building on Scotland's credentials in delivering events for this sport; the Island Games - Orkney 2023, with Orkney the twelfth host island of the Games that brings islands and islanders together in friendly competition; and the inaugural UCI Cycling World Championships 2023, bringing together 13 UCI World Championships for different cycling disciplines in one unprecedented event that will see thousands of the world's best cyclists vying to win the prestigious rainbow jersey.

CASE STUDY

Glasgow 2018 European Championships and Festival 2018

Scotland's reputation as a global leader for delivering world-class events was reaffirmed with the successful completion of the inaugural European Championships that saw the country deliver 11 fantastic days of sporting and cultural action with co-hosts Berlin. For all involved, including EventScotland and the wider VisitScotland teams who contributed towards the delivery of the event, the Championships surpassed expectations and demonstrated Scotland's ambitious and innovative approach to event delivery.

The official evaluation revealed the substantial national and international exposure enjoyed by the multi-sport mega event, which was broadcast on free-to-air channels across 43 European countries. Including online and social coverage, the audience across the sports reached an impressive 2.9 billion in the key tourism and business market of Europe. In Glasgow, total attendance across ticketed sporting competitions, free sport, live sites and Festival 2018, the cultural programme accompanying the Championships, was 565,000.

The quality of sport on offer alongside an outstanding cultural programme showed the calibre of the event. A massive 1.4 million viewers tuned in to watch British swimming hero Adam Peaty break his own world record in the 100m Breaststroke while Scottish cyclist Katie Archibald's silver medal in the Individual Pursuit was watched by a staggering 2 million viewers.

Among the many Festival 2018 performances was a special gala celebration 'Glasgow Meets Berlin', which saw the Royal Conservatoire of Scotland and the National Youth Orchestra of Scotland collaborate for the first time ever with Europe's largest arts institution, the Universität der Künste, to perform a live-linked concert between Glasgow's George Square and Berlin's European Mile on Breitscheidplatz.

The European Championships were an exciting sporting celebration delivered in two cities across two countries that united sports federations in a way that has never been done before. It showed a new model of delivery for events to learn from going forward, highlighting the great opportunities available to cities and countries to come together and bid for events that might otherwise not have been possible on their own.



GOLF MARKETING AND EVENTS PROGRAMME

Scotland is the Home of Golf and we are immensely proud of the work we do to keep Scotland ahead of the competition when it comes to staging major golf events in 18/19. These included The Open, played at Carnoustie, The Scottish Open and the Ladies Scottish Open.

£3m was invested in seven major golf events in 2018/19, attracting an audience of over 292,000 and generating £72.4 million net economic impact and supporting 863 full time equivalent jobs.

As well as supporting this impressive events portfolio, VisitScotland successfully promoted Scotland's golfing pedigree and unique experiences to potential visitors across the world.

An example of this work is Scottish Golf Tourism Week, which took place at Fairmont St Andrews in October 2018, featuring 91 international golf tour operators from 35 countries. In terms of results this represents more than 40,000 golfers playing 225,000 visitor rounds of golf annually. The Scottish golf sector was represented by 93 Scottish golf tourism exhibitors resulting in more than 3,650 face-to-face appointments as well as multiple familiarisation trips across Scotland.

The 147th Open at Carnoustie represented the biggest golf event anywhere in the UK in 2018, delivering an economic impact of £69 million in addition to a direct marketing benefit of £51 million, with broadcasts in 193 countries worldwide.

Looking ahead, VisitScotland's golf team continue to prepare Scotland to host the Solheim Cup, the biggest event in women's golf. 100,000 people are expected to attend the event at Gleneagles in September 2019 to watch Europe's women golfers compete against their US counterparts.

BUSINESS EVENTS MARKETING

VisitScotland plays a vital role in ensuring Scotland continues to attract the very best international conferences to our world-class venues and business facilities. Success in this highly competitive arena also ensures that Scotland's prowess and leadership in key economic sectors are presented to a global audience of experts and influencers.

An important part of our work is the Conference Bid Fund programme, which sees VisitScotland invest in securing events alongside partners from conference venues and Local Authorities. This year we supported 16 conferences in Edinburgh, Glasgow and Dundee.

The lead time from 2014/15 onwards saw a spike in larger congresses making 2018/2019 the strongest year yet. From an investment of only £367,000 across three growth sectors - life sciences, technology and engineering - the Conference Bid Fund generated £28 million net economic impact, £14 million GVA and supported 363 FTE jobs.

Scotland is a place where ideas can become legend and Legends, our Business Events' digital campaign, has continued to deliver success and gain international recognition this year.

Legends shows Scotland as not only a world-leading destination for hosting association conferences, conventions and congresses, but also a hub for collaborations, research and new discoveries.

It focuses on one of Scotland's key sectors every two months, such as Technology, Energy and Life Sciences, with the country's convention bureaux and regions contributing content to highlight achievements and opportunities, which is then shared across social media using the hashtag #ideasbecomelegend.

#ideasbecomelegend, has had over 70 million impressions this year, and has generated specific enquiries with a GVA of £3.6 million, with known conversion to date of £800,000 GVA, from a total campaign spend of just £6,000.

Legends also won the prestigious International Congress and Convention Association (ICCA) Best Marketing Award in a competitive vote by 1,000 ICCA delegates and judging panel, at the ICCA Congress in Dubai.

A further inspirational project delivered by our Business Events team is INNOVATETHENATION, a thematically diverse series of talks representing the many areas of excellence and innovation in Scotland within the Scottish Government's growth sectors.

The series brings together experts and influencers with the aim of inspiring potential ambassadors who we can support in attracting future events to Scotland's cities and regions. Talks included INNOVATEMARINE, INNOVATETECH and INNOVATEROBOTICS.

As well as shining a spotlight on Scotland's areas of strength, the initiative is securing more events. This includes the World News Media Congress & World Editors Forum, secured through the Innovate the Nation Ambassador Network, which took place in Glasgow in June 2019 with 1,000 delegates over three days.

The Business Events team, along with the EICC, Convention Edinburgh, and Scottish Enterprise, backed by support from the Scottish Government and a number of other partners, also successfully bid for the first TEDSummit outside of North America. The event was held in Edinburgh in July 2019.



Investing in Scotland's tourism and events communities

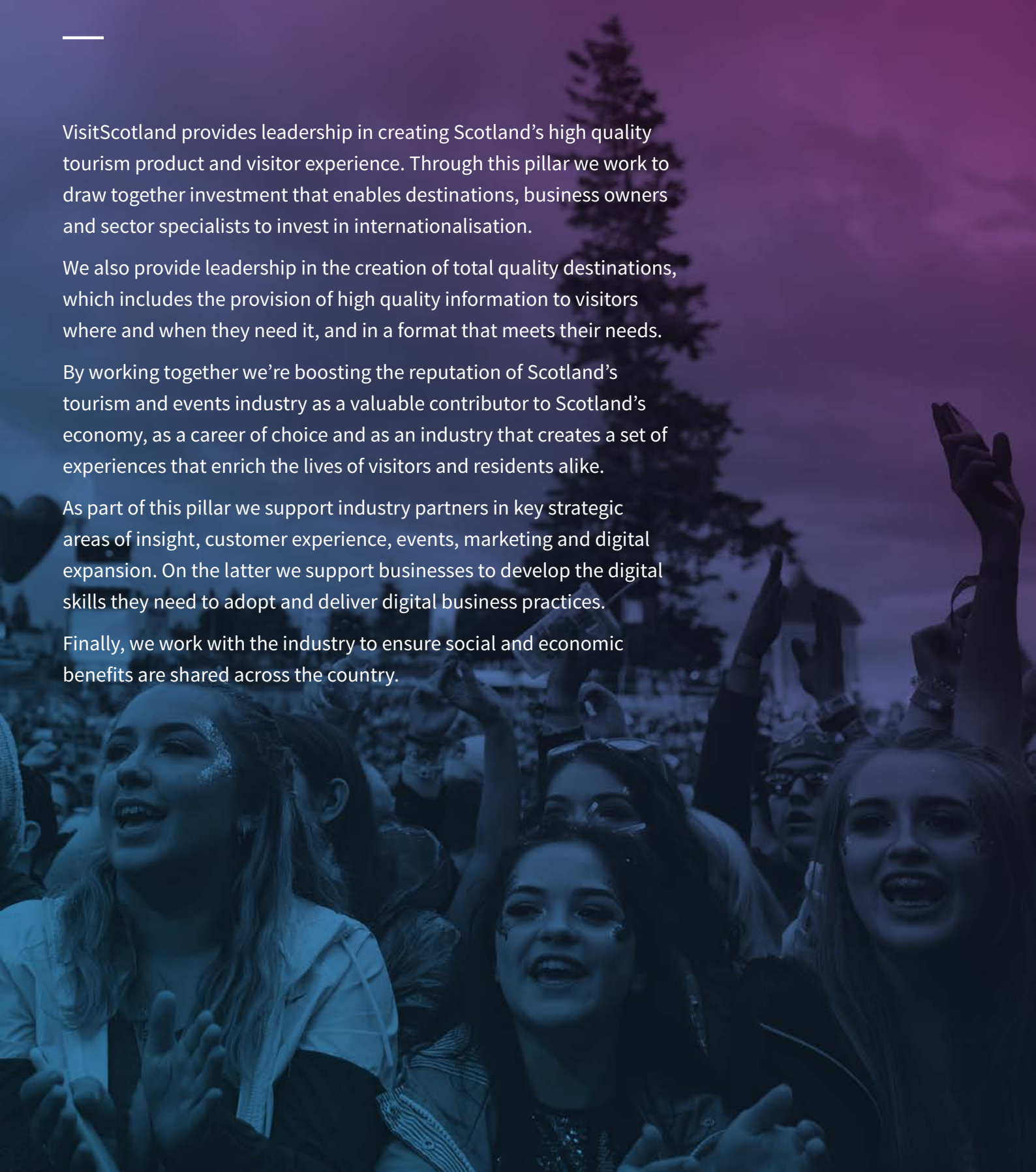
VisitScotland provides leadership in creating Scotland's high quality tourism product and visitor experience. Through this pillar we work to draw together investment that enables destinations, business owners and sector specialists to invest in internationalisation.

We also provide leadership in the creation of total quality destinations, which includes the provision of high quality information to visitors where and when they need it, and in a format that meets their needs.

By working together we're boosting the reputation of Scotland's tourism and events industry as a valuable contributor to Scotland's economy, as a career of choice and as an industry that creates a set of experiences that enrich the lives of visitors and residents alike.

As part of this pillar we support industry partners in key strategic areas of insight, customer experience, events, marketing and digital expansion. On the latter we support businesses to develop the digital skills they need to adopt and deliver digital business practices.

Finally, we work with the industry to ensure social and economic benefits are shared across the country.



Rural Tourism Infrastructure Fund

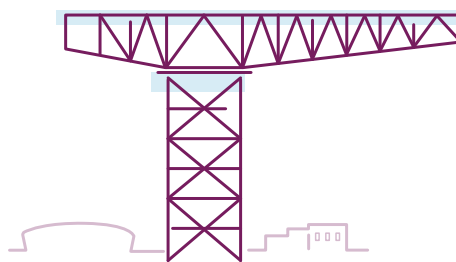
17 projects awarded funding across 8 local authority areas

EXPO

300
Scottish
Companies

Delivered NEI of
£3.9m

80
First time
exhibitors



Social Tourism

Over
1,000
families helped to
take a short break
in Scotland

National Events Programme

29
supported
events

£2.6m
NEI

Information Provision

Membership of iKnow
community reached

2,077
iKNOW

Retail sales



+15.4%

on like for like
iCentres

Shop
Local
+300
Scottish
suppliers

Investing in Scotland's tourism and event communities

SPOTLIGHT ON OUR WORK

BUSINESS EVENTS TRADE PROGRAMME

Our business events team continued to work with partners this year to promote Scotland's credentials as an exciting host destination to international conference and exhibition owners.

IMEX Frankfurt, IBTM World and IMEX America were the flagship MICE (meetings, incentives, conferences and exhibitions) tradeshows attended this year, with between 12 to 16 Scottish partners exhibiting on the Scottish stand at the Europe events and 16 of Scotland's leading Business Events partners attending in the US.

The core business events activity from these key markets – attendance at trade shows, sales missions, buyer events, familiarisation trips and PR – generated £28.1 million net economic impact and £11 million GVA and supported 333 FTE jobs.

NATIONAL EVENTS PROGRAMME

The National Events Programme complements the International Events Programme and plays an integral role in developing domestic tourism across Scotland. By supporting events which take place outside the cities of Edinburgh and Glasgow, EventScotland is also growing Scotland's wider events portfolio which forms the backbone of our events industry.

In this year a total of 29 events were supported through the National Events Programme, generating £2.6 million net economic impact and £1.9 million GVA and supporting 33 FTE jobs.

A further six completed event contracts were funded through the **Beacon Events Programme** generating £1.6 million net economic impact and £900,000 GVA and supporting 24 FTE jobs.

Of the 35 completed event contracts funded through these two programmes, 100% were held outside Edinburgh and Glasgow, and 70% outside the summer season.

The Scottish Clan Event Fund supports the growth of clan events across Scotland and helps to fund clan gatherings, games and historical re-enactments, as well as walks and tours, ceilidhs and festivals.

Trends such as the Outlander effect have contributed to the interest in Scotland's heritage and this year we supported ten clan events across eight Local Authorities.

Continuing with support for our country's rich culture and heritage, **Scotland's Winter Festivals programme** supported 20 events which enjoyed a record attendance of 370,533. The supported programme of events created opportunities for people to celebrate St Andrew's Day, Hogmanay and Burns Night across the country, ensuring a spread of visitors outside of traditional visitor months.

From storytelling to torchlight processions, live music to beautiful light festivals - the variety of events across the three celebratory days brought together communities and visitors from all over the world to celebrate Scotland's heritage, traditions and modern culture through the best of Scottish music, food and drink, arts and entertainment.

INTERMEDIARY MARKETING

Through our successful partnerships with tour operators across the world we secured 107 new and extended travel packages. Through these we achieved excellent regional and seasonal spread, with packages covering the North East of Scotland, Tay Region, and the South of Scotland, along with niche seasonal programmes such as gardens, photography, walking and cycling tours.

We delivered 31 business-to-business opportunities for industry partners, including Business Development Missions in China, India, North America and, a first, a pan-European event with buyers attending from France, Germany, the Netherlands, Spain, Italy and Nordic countries.

Other events included The British Tourism and Travel Show, ITB Berlin, Fitur Madrid, World Youth and Student Travel Conference, Adventure World Travel Summit, Arabian Travel Summit, Scotland Week, US Tour Operators Association Conference, ILTM China, Destination Britain events in China and North America, and World Travel Market.

VisitScotland also won a Gold award in the category of International DMO partner for the second year in a row at the North American National Tour Association conference.

Through our business-to-business platform we achieved 23,719 engagements in total, driven by 9,579 engagements at VisitScotland Expo 2018 and as a result of increased numbers of Scottish businesses joining Business Development Missions across all markets.

INFORMATION PROVISION

We keep visitors informed and inspired about the wealth of exciting attractions Scotland has on offer by ensuring high quality information is available where they want it, when they want it and how they want it.

This year VisitScotland continued to deliver this essential service to visitors through a network of iCentres, outreach activity and with our business partners in the innovative iKnow partnership with tourism businesses. This rich information mix means our visitors can find new places to visit and more things to do and see.

2018/19 saw the completion of our two year Information Strategy programme, at the heart of which are 26 regional iCentre hubs that provided information to 2.12 million visitors. A number of these iCentres have benefitted from significant refurbishment and investment in recent years.

Ballater Station is an impressive addition to the iCentre network and Bowmore and Aberdeen have been upgraded as part of the on-going investment programme.

Visitors report positively on their experiences of our iCentres with 21 of our iCentres achieving a 4.5 star rating on TripAdvisor and five iCentres achieving 4 stars.

Also, as part of our commitment to sustainable practices, 10 of our iCentres hold a Green Tourism Gold Award and 13 hold Silver Awards. The three remaining iCentres are expected to join the scheme in 19/20. Green Tourism Awards are the benchmark for sustainability across the industry.

Shop Local remains an integral part of the retail strategy and we are now in partnership with more than 300 craft makers, designers and Scottish artists on sale across the network, with retail sales up by 15.4%.

The retail team assisted Scotland House in London in a collaborative project which provided new and creative Scottish businesses with the opportunity to showcase their collections in the London Hub.

Our herd of four coo vans attended 72 events, visited 218 key visitor sites and were on the road for 314 days, delivering information and inspiration to our visitors, as they were out and about enjoying Scotland.

Membership of our iKnow Community reached 2,077, with our partners, primarily accommodation businesses and visitor attractions, recruited as local information ambassadors extending the footprint of visitor information.

RURAL TOURISM INFRASTRUCTURE FUND

The increasing popularity of outstanding scenic areas, stimulated by marketing successes such as the North Coast 500, film tourism and the growth in cruise liner arrivals has led to rapid increases in visitor numbers in some areas, at certain times of the year.

The Scottish Government created a £6m Rural Tourism Infrastructure Fund to address issues associated with this growth.

Administered by VisitScotland, this fund is supporting sustainable, well planned, inspiring, and collaborative infrastructure projects that focus on improving the visitor experience and enable more visitors to enjoy Scotland's rural communities.

Led by Local Authorities, the types of project supported include parking, camping facilities, waste disposal points for campervans and mobile homes and toilet provision.

Over two competitive rounds of funding, grants of £50k, up to a maximum of £300k were available.

There was considerable demand for the 18/19 round, with 28 applications received, and 17 projects awarded funding across 8 local authority areas. This is a multi-year grant and will be phased over the next 3 years.

CASE STUDY

Rural Tourism Infrastructure Fund – Hoswick Village, Shetland

Hoswick, on the Shetland mainland, has a strong tradition of knitting, with a number of craft businesses and a visitor centre with a cafe, gift shop selling locally made products, local craft exhibits and interpretative local history displays.

Hoswick is experiencing increasing visitor numbers and to help alleviate parking issues Shetland Island Council and Sandwick Social and Economic Development Trust, applied to the Rural Tourism Infrastructure Fund for support for a parking hub in the village, which includes cycle racks, disabled parking and electric vehicle charging points.

The successful application was awarded £131,660 towards the £194,034 project that will reduce the impact on the local community and improve the visitor experience.

AVIATION ROUTE DEVELOPMENT

Securing and supporting air routes into Scotland is an important part of what we do. Increased access to Scotland brings not only more visitors, but more opportunities for trade and investment. By working with airport partners, Transport Scotland and SDI, VisitScotland continues to ensure that Scotland is a destination which is easily reached by our visitors – whether on direct flights or via international hubs.

During 2018/19 VisitScotland worked with 13 airlines, supporting existing, new and extending routes from our key markets and delivered £32.4m of net economic activity.

June 2018 saw the launch of Scotland's first direct service from China, in advance of which we worked closely with Hainan Airlines to raise awareness among travel trade and consumer audiences for this new service from Beijing to Edinburgh.

Developing capacity from long-haul emerging markets as well as Australasia has also been the focus of collaboration with airlines operating over major global hubs to connect to Scotland. Results included the doubling of rotations on British Airways' Heathrow-Inverness service and the announced tripling for summer 2019 of the KLM Amsterdam - Inverness and Amsterdam - Aberdeen services. For Edinburgh there was the commencement of its first Emirates service from Dubai, whilst for Glasgow Emirates introduced the A380 aircraft, the world's largest passenger aircraft.

We continued to develop opportunities in North American markets, where collaborative activity included the promotion of United's new Washington DC service to Edinburgh, as well as Delta's announced service from Boston.

Closer to home, joint marketing campaigns with Loganair have supported its new Glasgow-Dusseldorf service and helped to raise awareness of their codeshares and connections to the Highlands and Islands.

THEMED YEARS

YEAR OF YOUNG PEOPLE 2018 - DELIVERING A GLOBAL FIRST

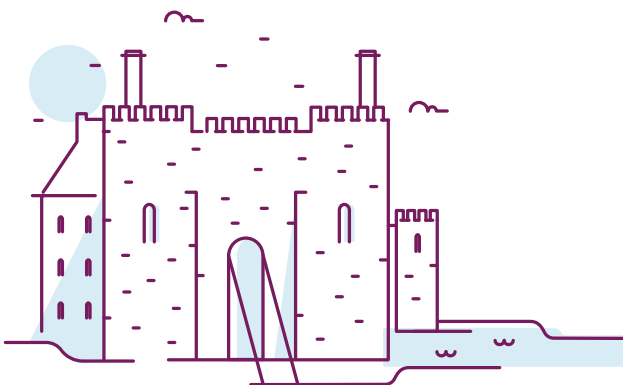
YOYP2018 provided a nationwide opportunity to celebrate the talents and achievements of young people in Scotland through the creation of a high-impact events programme that put young people at the centre of its development and delivery.

VisitScotland developed a year-long, public-facing celebratory events programme that supported both new, public-facing cultural and sporting events and festivals, and also enhancements to existing events. More than 4,400 young people worked to co-design this unique events programme with a further 8,700 taking part in delivery roles. The programme attracted more than 756,000 attendees across the country.

The events programme represented a genuine global first – the first national events programme fully co-designed by young people. In total 110 events were supported across three funding programmes. These included 49 events delivered through core ‘Signature’ and ‘Open’ funds, as well as 61 events delivered through the Create18 events fund which enabled

young people to access grants to design and deliver their own events in their own communities. In addition, our event Partner Programme attracted a further 232 public-facing events. From the opening of V&A Dundee and the launch of Edinburgh’s Hogmanay to the creation of a new urban sports event in Glasgow and the delivery of the first ever ‘Youth Takeover’ across Lerwick’s main venues in Shetland, the events programme provided key highlights and learnings for YOYP2018 and beyond.

The year also achieved strong partnership support, with more than 92,000 uses of #YOYP2018 generating millions of impressions via multiple partner social networks. Media coverage reached an estimated 979 million people worldwide while 56 million people were reached through core VisitScotland owned channels. A range of brand new activity in celebration of the year also delivered millions of impressions, video views and wider engagements including campaigns with Contiki, Mumsnet and UNILAD. YOYP2018 was also aligned as part of VisitScotland’s ScotSpirit breaks and the VisitScotland Growth Fund which supported a number of projects to celebrate youth audiences during the year.



CASE STUDY

Celebrating Scotland's Year of Young People 2018 at VisitScotland

Co-design and collaboration with young people were at the heart of the year and at VisitScotland This ethos was central to a wide-ranging internal staff engagement campaign throughout 2018, centred around building awareness, engagement, empowerment and advocacy.

Prior to 2018, an opportunity was promoted within our Marketing Department for colleagues under 27 to apply to become the Marketing Director for VisitScotland for a month. This innovative opportunity gave 12 young staff members the chance to create and deliver their own new campaigns.

Reverse mentoring opportunities were also launched for our youngest members of staff to mentor our Executive team; including the Chief Executive, paired with our youngest Modern Apprentice on a range of strategic visits.

Sharing YOYP2018 external opportunities on our staff intranet resulted in a young staff member securing a high-profile role as a TedXGlasgow speaker in 2018. Whilst every month young colleagues were showcased on our Intranet as a way for the wider team to get to know them.

Legacy is key and we continue to place YOYPY2018 objectives front and centre, with the creation of a Future Leaders Group working in tandem with the VisitScotland Leadership Group. VisitScotland also continues to be recognised through the Investors in Young People and our Gold Award.

YEAR OF COASTS AND WATERS 2020

Planning for our 2020 Themed Year gained great momentum throughout 2018/19. Benefiting from the new Themed Year delivery model which allows for increased planning time, the events and industry engagement programmes were well advanced by the close of the year.

For the year, VisitScotland will be encouraging visitors to explore some of our magnificent coastline by kayak or yacht, enjoy some delicious seafood and a wee dram, uncover the secrets of a coastal fortress, or relax with a spot of fishing in our lochs and rivers.

INCLUSIVE TOURISM

Scotland is a welcoming destination and inclusive tourism is an important part of this.

This year VisitScotland continued to help tourism businesses become more responsive to the individual accessibility requirements of visitors through the further promotion of toolkits, guides and business advice. We also began trialling the use of Neatebox in our newly refurbished Glasgow iCentre. Neatebox is an app which alerts venues to users/ customers who intend to visit that day and their accessibility needs. Neatebox also sends an overview of their disability and top tips to improve interaction.

While working on an Edinburgh Tourism Action Group project, we asked Euan's Guide, the review site for disabled people, to undertake some mystery shopping and they identified some weaknesses in our services for wheelchair users in our Edinburgh Information Centre, which we acted on.

After a successful campaign around its new beach accessible wheelchairs in 2018, Tourism St Andrews approached VisitScotland for advice on expanding its accessible tourism offer and to help them raise awareness amongst the business community of their new free app 'Scotland's Accessible Beaches'.

On social tourism, our partnership with the Family Holiday Association, a national charity that delivers breaks for struggling families, continued. To date more than 80 travel industry partners have donated accommodation, transport or tickets for attractions and activities. Over 1,000 families, including over 2,300 children, have been helped to take a short break somewhere in Scotland. For many, it was their first ever holiday.

ScotSpirit Breaks was selected in 2018 as a global best practice exemplar in the United Nations World Tourism Organisation's Global Report on Inclusive Tourism.

VISITSCOTLAND EXPO

VisitScotland Expo is the business-to-business event for Scotland's tourism industry, creating opportunities for businesses - that include accommodation providers, visitor attractions and activity providers - to showcase their products and services to hundreds of tour operators and travel agents from all over the world.

This year Expo delivered a net economic impact of £3.9m as 595 tour operators, wholesalers, travel agents and travel media attended this important business to business event. Over 30 different countries were represented, including Japan, Brazil, Germany, China and the U.S, and buyers met with 300 Scottish companies - the highest number of exhibiting companies in 20 years which included 80 first time exhibitors.

SCOTTISH THISTLE AWARDS

Dubbed Scotland's tourism Oscars, the Thistles help to raise the standard of excellence in the tourism industry. The Awards received 1,318 nominations and 666 entries from Scottish tourism businesses. The national final featured a special honorary Thistle Award presented to Diana Gabaldon, author of the Outlander books, in recognition of her International Contribution to Scottish Tourism.

SOUTH OF SCOTLAND ECONOMIC PARTNERSHIP

In line with the Programme for Government, VisitScotland has had a specific focus on the South of Scotland. In support of the South of Scotland Economic Partnership, the Chief Executive was appointed as a Board member and the Director of Industry and Destination Development is a member of the Executive Group. VisitScotland is leading on the development of the tourism strategy for the area and secured additional ring-fenced funding from the Scottish Government for the 2018/19 year to deliver a tourism marketing plan and activity to promote the South of Scotland.

The £500k #seesouthscotland innovative marketing campaign brings Dumfries & Galloway and the Scottish Borders together as one, focusing in particular on the regions world-class coastal and forest activities, dark skies, walking, cycling and the Galloway and Southern Ayrshire Biosphere.

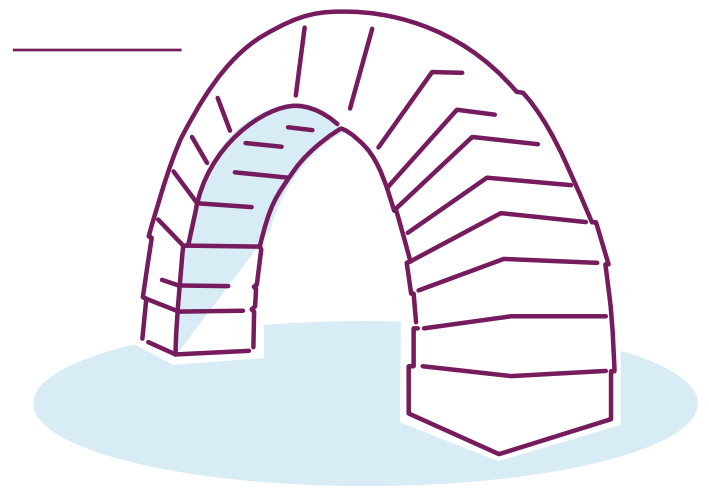
The campaign has brought a range of important partners together to show potential visitors the South of Scotland's superb offer and inspirational experiences. Tourism has a major role to play in the economic development of the South of Scotland and with VisitScotland already represented on SoSEP, we're looking forward to working with the new South of Scotland Enterprise Agency when it comes into being on 1 April 2020.

QUALITY ASSURANCE

The exceptional standards of Scotland's tourism industry are world-renowned and we're committed to helping keep it that way. Our position as Scotland's national tourism organisation means we're in an ideal place to help businesses develop these standards to the highest level possible and have a competitive advantage when it comes to attracting visitors.

Participation in the VisitScotland Quality Assurance schemes stands at 4,700 businesses. As a measure of continued investment in Scotland's tourism product it is encouraging to report that average star awards have increased across all sectors.

The main factors contributing to this increase include: improvements made by business themselves, with 76% of upgrades happening in the 4 and 5 star levels; downgrades



being significantly lower than in previous years; and the introduction of new businesses to the scheme, with 73% of those achieving a 4 or 5 star grading.

This year we have worked closely with the Association of Scottish Visitor Attractions on the implementation of the new Visitor Attraction Quality Assurance scheme, monitoring implementation closely. Additionally we have supported all businesses to achieve excellence via our 'QA For A Day' training programmes.

At a time when the environment is a key consideration for visitors and businesses alike, Green Tourism participation has increased by 4.5%. Green Tourism, run by Green Business UK is a key partner in making Scotland a more sustainable tourism destination.

Facilitating innovation and embracing change in a global digital economy

VisitScotland drives innovation across the industry by providing insight on trends and development, and through the creation of leading digital platforms used by our skilled industry to create more business opportunities.

Our collaboration with, and empowerment of, industry innovators is bringing new technology and ideas to the fore, which enhances the visitor journey and experience. We are also supporting businesses by providing intelligence and insight and, by drawing together data sources, enabling informed strategic investment decisions. All of this enables businesses and destinations, to develop Scotland's tourism offer.



visitscotland.org

Site traffic increased by **20%** on launch of redesigned site

Growth Fund

£260,000 was awarded in 2018/19

Digital Tourism Scotland

Online bookable accommodation businesses increased to

4,786

Up **261** in year

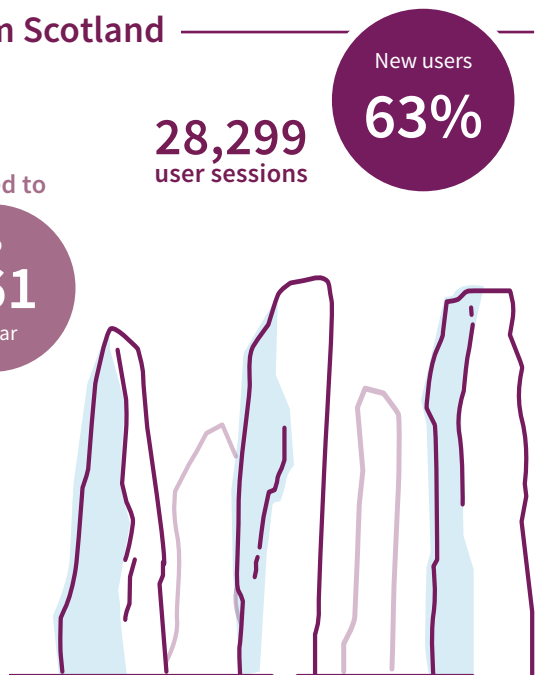
28,299 user sessions

New users

63%

Enterprise Resource Planning

New Enterprise Resource Planning delivered ahead of time and on budget



Facilitating innovation and embracing change in a global digital economy

SPOTLIGHT ON OUR WORK

GROWTH FUND

The VisitScotland Growth Fund supports collaborative tourism marketing projects that drive growth in the visitor economy. The fund is a platform that supports groups in leveraging additional and focused marketing investment, stimulates collaboration within the industry and drives closer strategic alignment with VisitScotland.

The team works with tourism groups across Scotland to generate successful applications and maximise the impact of the fund, aiming to achieve a good geographical spread of Growth Fund supported projects throughout the year.

During 2018/19 there were 21 live Growth Fund projects, with a total of £260,000 awarded to tourism groups to deliver integrated marketing campaigns.

Examples of projects supported in 2018/19 include Cairngorms Business Partnership, awarded £40,000 for their Discover Cairngorms National Park campaign, Destination Orkney, awarded £30,000 for their See You At The Weekend campaign and Discover Fraserburgh Tourism Group, awarded £15,000 for their #Fraserburgh48 campaign.

CASE STUDY

Growth Fund – Destination Orkney

"See you at the Weekend" focused on marketing activity promoting short breaks during the quieter, off peak months specifically targeting the shoulder months.

With Growth Fund investment of £30,000 Destination Orkney and their members developed a campaign to support this off peak message to extend the season. The campaign developed inspirational video content as well as downloadable, mobile friendly, themed itineraries. These were promoted through digital advertising and two social media influencer visits complemented the activity.

Destination Orkney delivered two phases of campaign activity, across spring and autumn, and as part of this promotion Destination Orkney members provided visitor offers as these were featured across the campaign.

The assets created provide a legacy from the campaign and will continue to be used. The group also have insights from the campaign that will help inform its future marketing activity, and the strong relationships developed with VisitScotland's Marketing Directorate will continue.

DIGITAL TOURISM SUPPORT PROGRAMME

The expansion of digital skills and activity remains a key requirement across the industry, keeping pace with the demands and expectations of an increasingly international audience.

Through Digital Tourism Scotland and through our own dedicated activity, VisitScotland has played an important role in helping the tourism industry to benefit from digital promotion and online booking.

Building on from last year's VisitScotland-led relaunch of the Digital Tourism Scotland website, new content has been added, including new animated videos covering SEO and social media skills. We also supported 124 Digital Tourism Scotland Workshops this year, attracting 1,174 attendees.

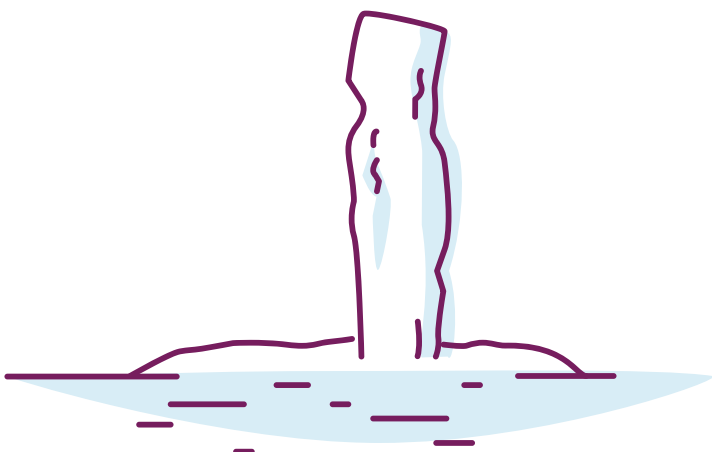
There were 28,299 user sessions through to the end of March 2019, of which 62.5% were new users.

Evaluation has indicated the SMART targets set for the project have been achieved, with Digital Tourism Scotland increasing digital skills and capability amongst supported businesses, building adaption of technologies and contributing to a reported improvement in productivity.

In addition VisitScotland continued to deliver its own programme of digital business surgeries which have helped the number of online bookable accommodation businesses rise to 4,786 – an increase of 261 on last year.

Digital Tourism Programme*





VISITSCOTLAND.ORG

This essential resource for the tourism industry provides business advice, research and insights on tourism trends, along with information on a range of topics including sustainable tourism, quality assurance and inclusive tourism.

The digital hub for the tourism industry in Scotland was completely redesigned this year. An important resource in helping to grow the visitor economy, the hub is now intuitive and mobile friendly, has a new content management system, a refreshed tone of voice and features new content. Traffic to the site rose by 20% following the launch.

ENTERPRISE RESOURCE PLANNING

This year VisitScotland delivered Oracle, our brand new integrated HR, Finance and Procurement system. Oracle represents a new way of working, giving us a single place to keep key information whilst removing time intensive processes and paper forms, and delivers consistency and increased efficiency. This major project is a key element of VisitScotland's digital transformation programme and was delivered ahead of time and on budget.

Other important elements of the digital transformation programme that have boosted productivity include: the second phase of the Stakeholder Customer Relationship Management system, which has added additional functionality to help manage our industry-facing business processes more effectively; and the introduction of Office 365, the web-based version of Microsoft's Office suite of enterprise-grade productivity applications.

DIGITAL MEDIA LIBRARY

Also part of the transformation programme, our new Digital Media Library was launched ahead of time in October 2018 and contains a broad range of high-resolution images captured by VisitScotland's in-house photographer.

Businesses specialising in the visitor market and promoting tourism in Scotland can apply for access to our Digital Media Library. Once businesses have signed up they can access and download images and videos, free of charge, for promotion of Scotland as a visitor destination. The new system is cloud based, uses the most up to date technologies, and runs on the fastest cloud servers.

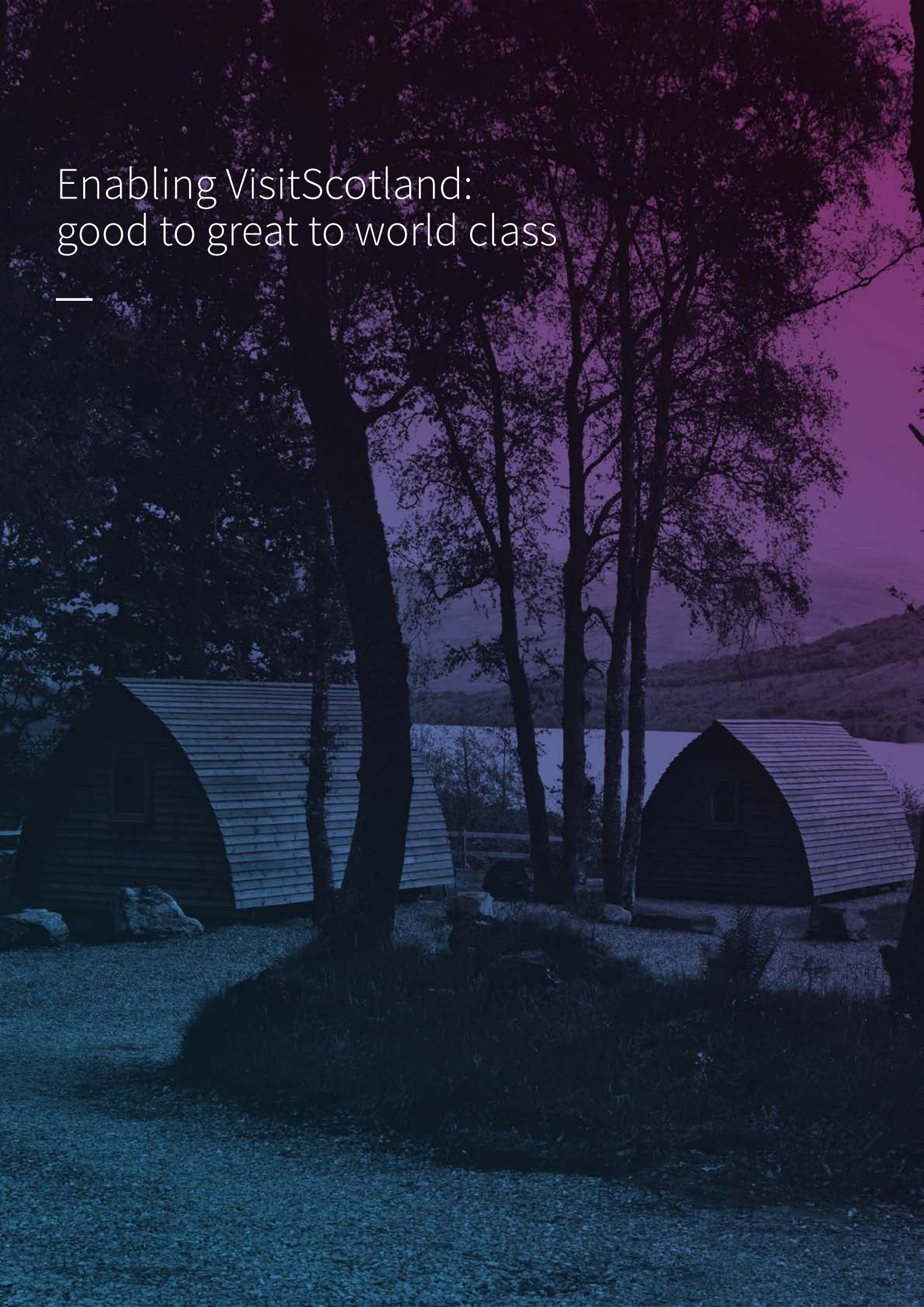
A FUTURE APPROACH TO QUALITY AND TOURISM DEVELOPMENT

The National Tourism Development Framework (NTDF), first published in 2015 and updated in 2017, represents a positive contribution to influencing the planning process in relation to tourism related activity. To develop a strong evidence base two projects were initiated in the past 12 months.

One, looking at the quality of the experience by current visitors, is using social media to harvest and analyse the many million posts and reviews made by visitors to Scotland. Three pilot projects will repeat this in Autumn 2019.

The other, looking to the future, will use informative predictive modelling techniques to produce an infrastructure mapping and gapping exercise of tourism infrastructure. Both will be used to inform a refreshed NTDF.

Enabling VisitScotland:
good to great to world class



Enabling VisitScotland: good to great to world class

This supporting pillar of the Strategic Framework focuses on the ambition to continue to enhance our reputation as a world leading national tourism organisation. Through digital transformation in the way we work and do business and the way we promote Scotland to visitors, through to the way we support the industry and develop our insight and research in a way that contributes to growth in the visitor economy, we are well into our journey to move from good to great to world class.

Our people are key stakeholders in the creation of a world class organisation. They are our most valuable asset, with each and every employee having a voice and the power to make a real difference. This fact is the central premise of Our People Strategy.

FINDING AND RETAINING THE BEST PEOPLE

The VS Way captures our culture and working life at VisitScotland. We are using the VS Way and related collateral and content, to tell our story. We aim to attract new talent and retain our staff with the skills and experience we need to deliver our goals and objectives. Working with various channels, including LinkedIn, academia and our own corporate website, we reach out and communicate the VS Way story to those with an interest in working for us.

We continue to attract talented and experienced employees from a variety of backgrounds and are proud of the diverse nature of our workforce and our inclusive culture at VisitScotland. With a greater emphasis on career development, we remain committed to job moves, project opportunities and employing our people in roles that provide variety, stretch and development.

NURTURING OUR TALENT

Talent management has been implemented across the business, identifying the performance and potential for each member of staff. Employees are encouraged to design a structured career plan and take advantage of the vast range of formal learning and experiential development opportunities offered by the business. In 2019 we launched a learning partnership with LinkedIn Learning and the Open University providing employees with access to a wealth of learning pathways and materials.

We continue to invest in Graduates and Modern Apprentices and are committed to the Career Ready programme, helping young people from deprived backgrounds get ready for the workplace. Our work in youth employment has been recognised once again by the retention of our Gold Standard Investors in Young People Award.

MANAGING CHANGE

We focus on ensuring we have the right people, in the right place, with the right skills and behaviours. We seek efficiencies and shape our workforce aligned to our Strategic Framework. Examples over the last 12 months include the implementation of phase two of our Information Strategy. We have also invested in shaping a greater range of technical and digital roles, reflecting the need to resource the digital transformational projects pending and underway.

EQUALITY OF OPPORTUNITY

In 2019 we published the latest version of our Public Sector Equality and Diversity Mainstreaming Report. We have continued our commitment to equality and diversity activities attaining a ‘Carer Positive’ award and ‘Disability Confident’ committed status. We are an inclusive employer and facilitate a number of equality & diversity groups including LGBTI, non-visible disabilities and an international employee group addressing the day-to-day support needed for non-UK EU workers employed across the business.

EMPLOYEE ENGAGEMENT

The VisitScotland Employee Engagement plan, the VS Way, is an integral part of our People Strategy and sets out VisitScotland’s commitment to employee engagement through a clear set of defined aims and objectives. It is crucial in taking the steps to achieve a more engaged workforce.

Driven, and owned, by staff from across the business, our engagement activities include the introduction of a variety of initiatives/opportunities for staff including talent management, mental health awareness, volunteering, mentoring, management development, flexible working through the introduction of compressed hours and employee recognition through the VisitScotland VS Way Awards.

Six over-arching objectives have been identified taking into consideration feedback from staff survey and now form our staff engagement plan - The VS Way.

	Focus Area	Objective
1	Career	Ensure VisitScotland is an Employer of Choice, attracting, developing and retaining a talented and skilled workforce
2	Connect	Grow excellent leaders and managers across the organisation to support staff engagement and business success
3	Clarity	Aligning our strategy framework to each directorate, department and individual to provide all staff with an understanding of their contribution
4	Communicate	Provide the mechanisms to establish, support and encourage an Employee Voice within the organisation
5	Congratulate	Recognise, acknowledge and celebrating success which supports achievement of the organisations goals
6	Care	Further develop and drive forward proactive wellbeing, and a safe and healthy work environment.

Key performance indicators

VisitScotland's success in delivering sustained benefits to the Scottish economy is supported by a number of performance measures that are developed and reviewed each year, and these are detailed in the Corporate Plan. Achievements against these measures are reported to the Board members and Directors regularly throughout the year.

ECONOMIC PERFORMANCE

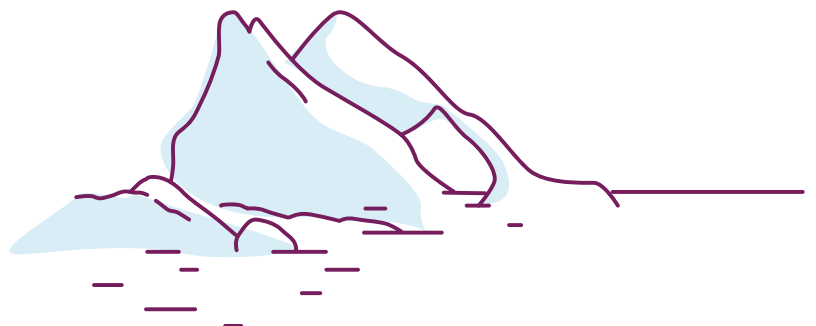
The basis of VisitScotland's principal Key Economic Performance Indicators is derived from our Economic Measurement Framework, which has four economic measurement indicators, as follows:

- Gross economic activity - the monetary value of all economic activity related to or associated with an intervention.
- Net economic impact (direct) – new money in the economy that would not have happened without the VisitScotland intervention.
- Gross Value Added (“GVA”) (direct, indirect, induced) - this is the economic value added in a business when transforming inputs (things bought-in) into outputs (sales).
- Full Time Equivalent (“FTE”) jobs supported (direct, indirect, induced) – full time equivalent jobs supported in Scotland's economy.

More information on the Economic Measurement Framework is available at <http://www.visitscotland.org>

The table overleaf provides the net economic activity of VisitScotland assisted activities and projects in 2018/19. The NEI assessment has been prepared using VisitScotland's Economic Measurement Framework which accords with best practice economic appraisal and evaluation guidance.

An Economic Measurement Report will be completed in early Autumn 2019.



VisitScotland Interventions 2018/19	Gross Economic Activity £m	Net Economic Impact (Direct) £m	GVA (Direct, Indirect, Induced) £m	FTE Supported (Direct, Indirect, Induced)
Consumer Marketing				
International Consumer Marketing – Short Haul/Europe (Jan 2018– Dec 2018)	£166.5	£13.4	£9.2	217
International Consumer Marketing – Long Haul (Jan 2018– Dec 2018)	£195.6	£11.6	£8.0	188
Rest of UK & Ireland Consumer Marketing (Mar 2018– Feb 2019)	£380.1	£20.5	£13.8	341
Scotland Consumer Marketing (Mar 2018– Feb 2019)	£203.0	£0.8	£0.5	13
Consumer Marketing Total	£945.2	£46.3	£31.5	759
EventScotland				
International Programme	£109.0	£60.6	£38.9	1,364
Beacon Programme	£7.5	£1.6	£0.9	24
National Programme	£13.5	£2.6	£1.9	33
Golf Programme*	£45.5	£72.4	£25.8	863
EventScotland Total	£175.5	£137.2	£67.5	2,284
Expo 2018				
Expo 2018 (exhibitor impact)	£8.0	£3.9	£2.7	63
National Bid Fund				
National Bid Fund (20 conferences supported in 2018/19)	£46.9	£28.1	£13.8	363
Route Development				
Route Development	£79.1	£32.4	£22.3	526

* The 2018 Open Championship was held at Carnoustie Golf Links, Angus

¹ For some interventions, the measurement period does not align with the financial year. Precise dates are provided for the instances where this occurs.

² developed alongside Scottish Government Economists

³ HM Treasury Green Book Guidance

Corporate & social responsibility

ENVIRONMENTAL

The Scottish Government has set ambitious climate change targets: to reduce Scotland's greenhouse gas (carbon emissions) by 80% by 2050, with an interim reduction of 42% by 2020, against a 2008/09 baseline.

VisitScotland has aligned its operational activities to meet its obligations under The Climate Change (Scotland) Act 2009 and works through the Sustainable Scotland Network in the ongoing development of its Carbon Management Plan. Progress to date (see overleaf)

VisitScotland also supports the work of Zero Waste Scotland and is working with all our sites to reduce waste and increase recycling. During 2018/19 we reduced our overall waste by 18%.

We also support the Scottish Government target introduced in 2016 as part of 'Making Things Last – A circular economy strategy for Scotland' to reduce food waste by 33% by 2025, through providing advice and information to industry as well as our internal operations, where relevant.

SOCIAL

VisitScotland works in partnership with a number of agencies to ensure that tourism improves the quality of life for local communities and involves them in tourism planning and management.

Specifically, VisitScotland contributes to the work of Community Planning in order to ensure that the tourism sector participates in the community planning process and the on-going design, development and implementation of each Community Planning Partnership's Local Outcome Improvement Plan.

In addition to the above, through our Inclusive Tourism Strategy VisitScotland is working to make Scotland more inclusive both to those with physical disabilities and to those from economically disadvantaged backgrounds.

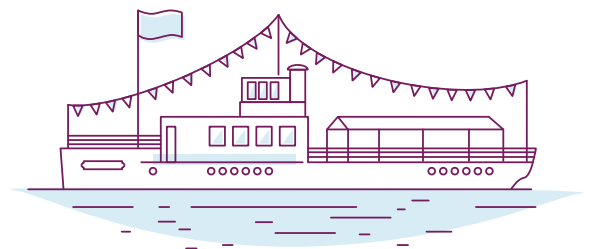
28%

of offices and information centres
certified under the

**Green Tourism
Business Scheme**
at Gold standard level

56%

at Silver standard level



CO₂ EMISSIONS 16/17

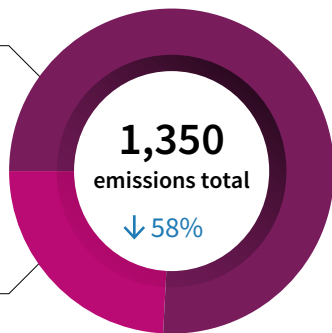
Target: 2,065

1,000

Buildings
Energy, Waste, Water

350

Transport



CO₂ EMISSIONS 17/18

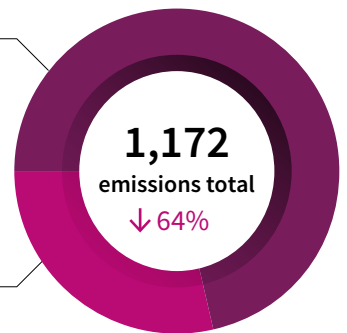
Target: 1,965

839

Buildings
Energy, Waste, Water

333

Transport



CO₂ EMISSIONS 18/19

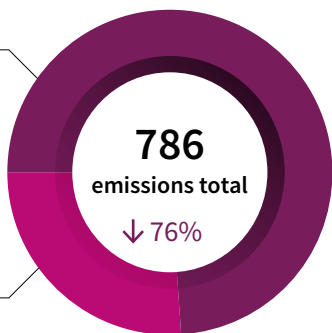
Target: 1,867

541

Buildings
Energy, Waste, Water

245

Transport



EXTERNAL FACING SUSTAINABILITY ACTIVITY

VisitScotland recognises the important role it plays in encouraging and supporting businesses and destinations to become more sustainable and we are committed to ensuring the industry continues to innovate.

Since January 2015 we have incorporated minimum sustainability requirements into our Quality Assurance scheme. We have subsequently increased the minimum requirements for all industry sectors to encourage continuous improvement. Advice and support on becoming more sustainable and resource efficient is provided to businesses through the Quality and Tourism Advisors.

For further details and information see the VisitScotland Annual Sustainability Report that can be found at:

http://www.visitscotland.org/about_us/our_focus/annual_sustainability_report.aspx

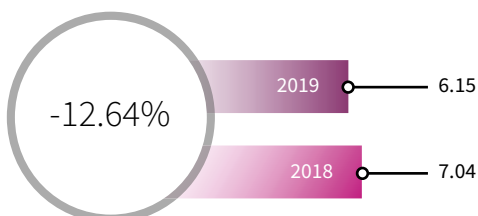
Financial position

INCOME

RDEL cash resource* (£m)



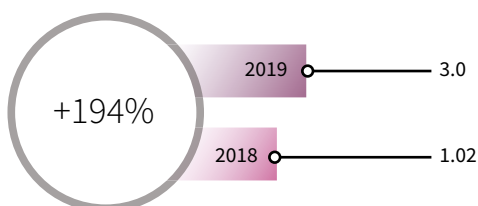
Retail, commercial, and other income (£m)**



* VisitScotland's core GIA award reduced by £0.5m to £39.6m in 18/19. The 4.37% increase in RDEL relates to income received from ringfenced projects.

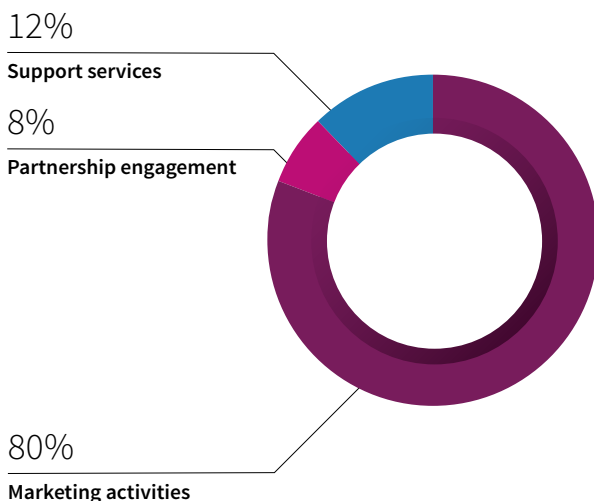
** See Page 48

CDEL CAPITAL (£M)

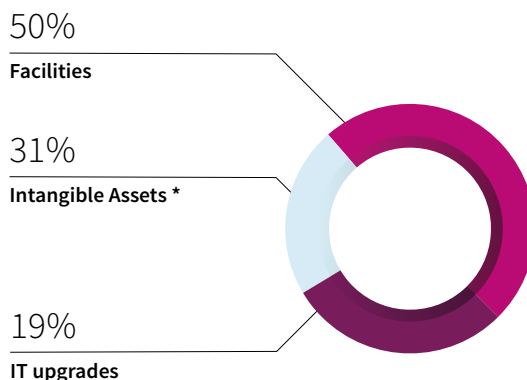


RDEL = Revenue Departmental Expenditure Limit
CDEL = Capital Departmental Expenditure Limit

SPEND BY CATEGORY



SPEND BY CATEGORY (CDEL)



* Intangible asset additions in year relate to the implementation of the new ERP system and initial development costs in relation to the rebuild of visitscotland.com

GRANT IN AID

The Resource Budget is provided to cover capital (“CDEL”) and revenue expenditure (on an accruals basis) (“RDEL”), and also ‘non-cash’ costs including depreciation, impairment, etc. The Resource Budget is supplemented by the generation of retail and commercial income, local authority funding, and other income.

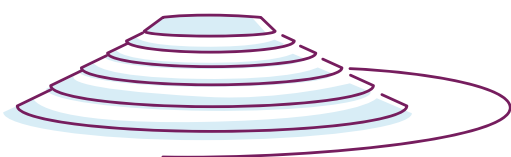
A further non-targetable budget allocation is made by the Scottish Government to cover volatile costs such as pension, provisions and write-downs, which, by their nature, are not necessarily capable of being controlled to the same extent as items charged to the Resource Budget. This non-cash budget allowance is designated Annually Managed Expenditure (“AME”).

‘Cash’ outturn (RDEL)

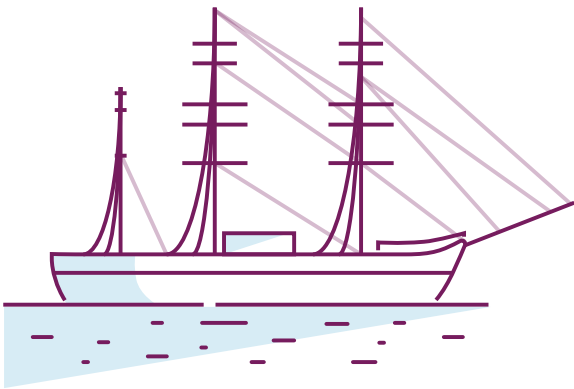
	2019 £m
Marketing activities	44.31
Partnership engagement	4.27
Support services	6.98
Total operating expenditure	55.56
Less: Depreciation & loss on sale of asset (non-cash)	(1.02)
Less: Provision (AME)	(0.65)
Less: Capital Grants (Rural Tourism Infrastructure Fund)	(0.81)
Operating income	(6.15)
Net operating expenditure	46.93
Net finance costs & taxation	0.03
Net expenditure after tax	46.96
Funded by: Grant-in-Aid (RDEL)	46.96
Net ‘cash’ (underspend)/overspend	-

‘Cash’ outturn (CDEL)

	2019 £m
Payments to acquire fixed and intangible assets	2.65
Capital Grants (Rural Tourism Infrastructure Fund)	0.81
Total Capital Spends	3.46
Funded by: Grant-in-Aid (CDEL)	3.0
Capital receipts utilised	0.46
Net ‘cash’ (underspend)/overspend	-



Financial position



RESOURCE OUTTURN

CORE CASH REVENUE EXPENDITURE

The core revenue 'cash budget' is funded from the Grant-in-Aid provision by Scottish Ministers, through the Scottish Government's Business Directorate for Culture, Tourism and Major Events. For 2018/19 this core revenue grant amounted to £46.96m (2018: £44.99m).

The expenditure of £44.31m in respect of marketing activities represented 80% of the core revenue Gross Expenditure for the year, as reported in the Statement of Resource Outturn (2018: £42.88m (81%)). Partnership and Support Services expenditure totalled £11.25m which represents 20% of the core revenue Gross Expenditure for the year (2018: £10.06m (19%)).

RETAIL, COMMERCIAL, AND OTHER INCOME

The supplementary income generated, comprising of Retail, Commercial, and Other Income amounted to £6.15m, a reduction of £0.89m. This reduction was primarily due to a reduction in the money received from local authorities with regards to marketing and information provision, and additional marketing partnership income. For these categories of income, it is an in-out for VisitScotland where we spend the money on behalf of the partner. Therefore, there is a corresponding reduction in expenditure.

Further analysis of areas of income and expenditure can be found in Notes 2 to 5 of these financial statements.

CASH CAPITAL EXPENDITURE

The core capital expenditure 'cash budget' is also funded from Grant-in-Aid, and for 2018/19 this grant amounted to £3m (2018: £1.02m). Following in year adjustments, and capital disposals, expenditure was in line with budget.

The main capital projects for 18/19 were:

- Rural Tourism Infrastructure Fund (year 1)
- Edinburgh iCentre
- IT hard ware and computer equipment upgrades
- ERP system implementation
- Rothesay refurbishment
- Ballater Refurbishment
- Redevelopment of VS.com and VS.org

BASIS OF PREPARATION AND GOING CONCERN

The financial statements have been prepared on a going concern basis, which assumes that VisitScotland will continue in operational existence for the foreseeable future. To the extent that the net liabilities are not to be met from VisitScotland's other sources of income, these liabilities may only be met by future grants or Grant-in-Aid from the Scottish Government. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such

grants may not be issued in advance of need, and insofar as approval for Grant-in-Aid for 2019/20 has already been given, there is no reason to believe that future approvals will not be forthcoming.

On this basis, the Board considers it appropriate to prepare the financial statements on a going concern basis.

CASH BALANCES

VisitScotland does not retain any cash reserves, other than monies required to meet authorised expenditure accrued at the year end.

PAYMENT TO CREDITORS

VisitScotland observes the Scottish Government's policy for prompt payment to creditors and is committed to paying suppliers within 10 days of receipt of a valid invoice. An analysis of invoices received between 1 April 2018 and 31 March 2019 shows that VisitScotland paid 81% of valid invoices received within 10 working days (2018: 90%).

Malcolm Roughead OBE

Chief Executive

VisitScotland

September 2019

The Corporate Governance Report

DIRECTORS' REPORT

THE BOARD

The Chair and Board Members are appointed by the Scottish Ministers in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland, issued by the Commissioner for Ethical Standards in Public Life in Scotland. Details of the role of the Board and its membership are provided within the Governance Statement.

REGISTER OF BOARD MEMBERS' INTERESTS AND CODE OF CONDUCT

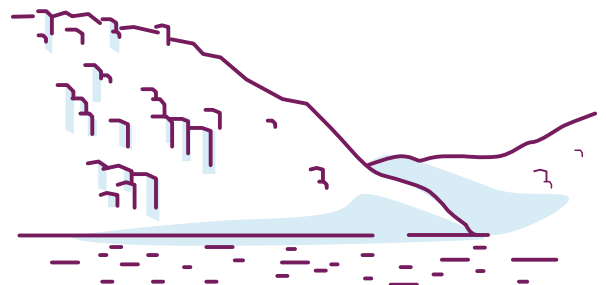
All Board Members work to the high standards of conduct outlined in The Ethical Standards in Public Life (Scotland) Act 2000. Each Board member also records publicly details of company directorships and other significant interests held on their Register of Interests.

VisitScotland's Board Member Code of Conduct is published on our corporate website, as are Registers of Interests for each Board Member. www.visitscotland.org/about-us/our-team/board

AUDITOR

The Auditor General for Scotland appoints auditors to conduct the audit of VisitScotland's Annual Report and Financial Statements, in accordance with Section 6(4) of the Development of Tourism Act 1969. The appointed auditor for the five-year period starting with the year ended 31 March 2017 was Audit Scotland.

The fees payable for audit services provided by the appointed auditors in the year to 31 March 2019 were £70,800 (2017: £69,410). There were no fees payable to Audit Scotland for non-audit work during the year (2018: £ Nil.).



STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under Section 6(1) of the Development of Tourism Act 1969 the Scottish Ministers have directed VisitScotland to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction, which is reproduced on page 71 of these financial statements.

The financial statements are prepared on an accruals basis and must give a true and fair view of the affairs of VisitScotland, and of its net resource outturn, application of resources, changes in taxpayers' equity and cash flows for the financial year.

In preparing the financial statements the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- a. observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- b. make judgements and estimates on a reasonable basis;
- c. state whether applicable accounting standards as set out in the FReM have been followed, and disclose and explain any material departures in the financial statements;
- d. prepare the financial statements on a going concern basis.

In accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Permanent Secretary, as the Principal Accountable Officer for the Scottish Administration, has designated the Chief Executive as Accountable Officer of VisitScotland.

The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding VisitScotland's assets, are set out in "Managing Public Money" published by HM Treasury.

As the Accountable Officer, as far as I am aware there is no relevant information of which VisitScotland's auditors are unaware, and that I have taken all necessary steps to make myself aware of any relevant audit information and to establish that VisitScotland's auditors are aware of that information.

Furthermore, I can confirm that;

- i. the Annual Report and Financial Statements, are fair, balanced and understandable, and
- ii. I take personal responsibility for the Annual Report and Financial Statements and the judgements required for determining that they are fair, balanced and understandable.

The Board

THE BOARD

RESPONSIBILITIES

The Board has corporate responsibility for the overall strategy of the organisation, within the strategic and funding framework set by Scottish Ministers, ensuring that VisitScotland fulfils its aims and objectives. They also provide general oversight of our practices to ensure the proper management of the organisation, and in so doing demonstrate high standards of corporate governance at all times.

The Board Members who held office during the year, were as follows:



The Rt Hon. the Viscount Thurso
Chair

John was appointed as our chairman in 2016, and as such also serves as an Ex-Officio Board member of VisitBritain. He has considerable industry experience: at 27 he became Europe's youngest 5-star hotel manager. He has also served as non-executive director on several public company boards.



Caroline Roxburgh

Caroline is chair of the Audit and Risk Committee. She is a Chartered Accountant, a former partner at PwC, and a Non-Executive Director on other boards including Edinburgh International Festival and Royal Conservatoire of Scotland. Caroline has over 30 years' business experience advising boards in a range of industry sectors.



Professor Anne Anderson

During her roles as Vice-Principal of the University of Glasgow and previously as Vice-Principal of University of Dundee Anne worked to raise the profile of Scotland as an attractive place to study and visit and actively promoted Scotland to prospective students and staff. Anne has also overseen large increases in international students and developed strategic partnerships in Canada, the United States, China, Oman and Azerbaijan.

Gordon Dewar – resigned from VisitScotland Board in Sept 2018
Steve Dunlop – resigned from VisitScotland Board in April 2018

NEW BOARD APPOINTMENTS

Dr Keith Nicholson

Keith was appointed to the Board and Audit and Risk Committee on 1 June 2019. He is a former internationally acclaimed professor with appointments worldwide, including in a UN-funded Institute in New Zealand. He is an award-winning company director and a leading expert in Scotland on Cyber Security and is a member of the Scottish Government's National Cyber Resilience Leaders Board.

Steven Walker

Steven was appointed to the Board on 1 September 2019. Steven is currently Executive Chair at Blazing Griffin, a Scottish digital entertainment company. He is a former Managing Director of Scotsman Publications, News International Scotland and The Scottish Children's Lottery. Most recently he was the Director of Corporate Development at STV Group Plc.



Calum Ross

Calum is proprietor of the award-winning Loch Melfort Hotel in Oban. He is currently Chair of both the Argyll and the Isles Tourism Co-operative Ltd and of Oban and Lorn Tourism. He is also a Director of the Scottish Tourism Alliance, a Director of UK Hospitality, and a member of the Tourism Leadership Group.



Stephen Hagan

Stephen was formerly the COSLA spokesperson for Development, Economy and Sustainability. He is a farmer and a former convener with Orkney Islands Council. Previously, he was Chair of Orkney Ferries and a non-executive Director for NHS Orkney and the North of Scotland Water Authority. He currently sits on the Board of David MacBrayne Ltd.



Rebecca Brooks

Rebecca is Managing Director of Abbey Tours Scotland, a leading destination management company, and has worked in international tourism since 2001. As former Director of JAC Travel and with her current role, Rebecca's experience has been formed around all international inbound markets to Scotland and the UK.



Catherine Craig

Cathy is Commercial and Memberships Director of Entrepreneurial Scotland. She is an experienced manager who has worked across various disciplines and industries, and has expertise in sales, marketing, business development and change management.



Carolyn Jameson

Carolyn is a qualified solicitor who has spent a large number of years working within the technology sector. Her roles have included commercial, legal and leadership roles with an international scope.



GOVERNANCE STATEMENT

As Chief Executive and Accountable Officer I have responsibility for maintaining a robust performance management framework, in accordance with the VisitScotland Management Statement and associated Financial Memorandum, as agreed with the Scottish Government's Directorate for Culture, Tourism and Major Events.

This includes a sound system of internal control that supports the achievement of VisitScotland's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets.

I am personally answerable to the Scottish Ministers in accordance with section 15 of the Public Finance and Accountability (Scotland) Act 2000. I am responsible for safeguarding the public funds under my charge, for ensuring propriety and regularity in the handling of those funds and for the day-to-day operations and management of VisitScotland. In addition, I have a duty to ensure that arrangements have been made to secure best value, which includes the concepts of good corporate governance, performance management and continuous improvement.

STANDING COMMITTEES

AUDIT AND RISK COMMITTEE

The VisitScotland Board has established an Audit & Risk Committee to support them in their responsibilities for issues of risk management, control, governance and associated assurance. The committee oversees the arrangements for internal control, risk, corporate governance, internal and external audit and the annual accounts. The audit committee receives the annual accounts, audit reports and a range of other management reports.

The Audit & Risk Committee of the Board normally meets at least four times a year and comprises Chair and three non-executive Board members. Representatives of the Scottish Government, external and independent internal auditors, together with the Director of Corporate Services, the Head of Finance, and myself, attend these meetings.

REMUNERATION COMMITTEE

During 2018/19 all Board members were - de facto – members of the Remuneration Committee, and the Committee met once in September 2018.

The purpose of the Committee is to:

- review the annual salary and performance-related bonus proposals of the Leadership Group, in accordance with Scottish Government guidelines
- consider any changes in the terms and conditions of employment of the Leadership Group
- submit any proposed changes to the Scottish Government for approval
- deal with such other matters as may be referred to it by the Board

ATTENDANCE

The following table shows the number of meetings the VisitScotland Board and its principal committees held during 2018/19, and the individual attendance by Board and committee members.

The Rt Hon. the Viscount Thurso attended one Audit & Risk Committee meeting, in his capacity as a Board member.

Professor Anne Anderson was appointed as a member of the Audit & Risk Committee in March 2019.

Steve Dunlop resigned in April 2018.

Gordon Dewar resigned in September 2018.

	Board (7)	Audit and Risk Committee (5)	Remuneration Committee (1)
Lord Thurso (B)	7	1	1
Professor Anne Anderson (A) (B)	7	1	1
Catherine Craig (B)	6	-	1
Rebecca Brooks (B)	5	-	1
Gordon Dewar (A) (B)	3	2	1
Stephen Hagan (B)	6	-	1
Carolyn Jameson (A) (B)	6	4	1
Calum Ross (A) (B)	5	5	-
Caroline Roxburgh (A) (B)	7	5	1
Steve Dunlop (B)	1	-	1

(A) Audit & Risk Committee member

(B) Board member

THE LEADERSHIP GROUP

RESPONSIBILITIES

VisitScotland's leadership group is in place to actively support and develop talent for the future across the organisation. The Leadership Group is responsible for the delivery of strategy as set by the Board and the day to day management of VisitScotland's activities and operations. The delivery of VisitScotland's aims and objectives is supported by an operational framework comprising key corporate business processes and a wide range of control mechanisms. Members of the Leadership Group who held office during the year were as follows:

Name	Position
Malcolm Roughead	Chief Executive
Charles Smith	Director of Marketing and Digital (seconded to SE July 18)
Vicki Miller	Director of Marketing and Digital
Ken Neilson	Director of Corporate Services
Paul Bush	Director of Events
Riddell Graham	Director of Industry Destination Development
Lynne Raeside	Head of Business Affairs (Resigned Aug 18)
Barbara Clark	Head of Corporate Communications (From Dec 18)
Robbie Clyde	Head of EventScotland
Michelle Lavery	Head of Finance
Lynn Jack	Head of Human Resources
Mike Slack	Head of IT (From Dec 18)
Susan Dickie	Head of Insights
Ken Massie	Head of Regional Leadership and Development
Leanne Elliot	HR Operations Manager (Apr - Dec)

Governance Framework

As Accountable Officer, I am responsible for reviewing the effectiveness of the systems of risk management and internal control. The systems are based on ongoing processes designed to identify the principal risks to the achievement of VisitScotland’s policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The system is designed to manage rather than eliminate the risk of failure to achieve VisitScotland’s policies, aims and objectives. The process within VisitScotland accords with guidance from the Scottish Ministers provided in the Scottish Public Finance Manual (“SPFM”) and has been in place for the year ended 31 March 2019, and up to the date of approval of the annual report and financial statements.

RISK MANAGEMENT AND CONTROL

The Board has overall responsibility for VisitScotland’s risk management framework.

The Board’s audit and risk committee oversees the risk management framework on behalf of the Board. The committee recommends the appointment of our internal auditors and receives our annual accounts and internal audit reports.

The Risk Management Framework includes a Corporate Risk Register where each

risk is aligned to our strategic objectives. As a result, all corporate risks are actively managed, reviewed and updated, together with the actions to mitigate them, by the Directors and Heads of



Department on a quarterly basis, reported to the Leadership Group, reported at each Audit & Risk Committee meeting, and regularly reported to the Board.

At an operational level, risk management has been fully incorporated into the corporate planning and decision making processes of the organisation. In addition, risks are managed throughout the organisation by the application and review of controls built in to day-to-day working practices, and the use of sub-risk registers (which cover specific matters in greater detail).

KEY RISKS FACING THE ORGANISATION

VisitScotland categorise risk by four levels, which are, very high; high; medium; and low. All risks in VisitScotland’s risk registers are tracked throughout the year, and the table below highlights the most significant risks at the end of last year through to March 2019. These risks remain the most significant to the organisation as at 31 March 2019.

There have been no corporate risks categorised as very high during the year.

VisitScotland also maintains risk registers for all significant projects

Risk	Progress with Mitigation in the year
There is a risk that macro-economic matters such as EU exit, austerity, inflation and exchange rate fluctuations, changes to consumer income and spending, impact negatively on the visitor economy.	VisitScotland continues to analyse insight and recommendations on trends, focussing on high value end markets. Exchange rate fluctuations have made the cost of marketing abroad more expensive as well as making Scotland a cheaper place to visit. VisitScotland has a BREXIT risk within the corporate risk register which details the action that the organisation is taking to reduce this risk.
There is a risk of natural disaster, along the lines of foot and mouth, or a pandemic i.e. EBOLA, 'Bird Flu' or an act of terrorism.	The organisation, with others, monitors for horizon threats and participates in the Scottish Tourism Emergency Response Group. VisitScotland has its own Business Continuity plan which is tested each year.
There is a risk that a reduced Scottish Government (SG) budget allocation will mean that that VisitScotland's core activity budgets will be reduced.	VisitScotland continues to reinforce with the Scottish Government the contribution of the Visitor Economy. This is done by emphasising the economic and social contribution made by tourism and highlighting the ongoing competitive nature of tourism worldwide. Our planning and measurement processes enable the organisation to manage spend effectively and emphasise the outcomes of that spend to Scottish Government.
There is a risk that Non-SG grant income generation plans are not sufficient to support any changes in SG grant, which would result in VS activities requiring to be re-examined and activities dropped/delayed or reduced in scale.	VisitScotland continually reviews its commercial income streams to highlight any pressures and take advantage of potential funding opportunities.
There is a risk that large deficits are created in the British Tourist Board (BTB) pension scheme and Local Government Pension Schemes (LGPS) through a lack of strong Government covenant and reducing membership, resulting in higher contributions.	<p>BTB: Significant progress has been made in 18/19 in relation to the ongoing valuation issue of the BTB scheme. Shortly after the year VisitScotland obtained a signed guarantee from Scottish Government for the BTB scheme. This along with other activities by other members of the scheme, allowed sectionalisation of the scheme to take place This has allowed the triennial valuation to be agreed with the Pension Regulator</p> <p>LGPS: VisitScotland has a signed letter of guarantee for all our LGPS in Scotland.</p> <p>For both pension areas the guarantees will improve the employers covenant position and will reduce future financial outlays when compared to a scenario without the guarantees.</p>
There is a Cyber security risk to the organisation. Effective cyber resilience reduces the risk of cyber-attacks, and protects organisations and individuals from the unauthorised exploitation of systems, networks and technologies.	VisitScotland have achieved Cyber Essentials certification and have a schedule of internal and external security penetration testing. A wide variety of technical security measures are in place, this is a continually developing environment where new measures and adjustments are under constant review. Mandatory Cyber and Data Protection training has been rolled out for all employees. A Cyber Incident Response Plan is in place along with a number of containment strategies.
There is a risk of non-compliance with legislation due to inadequate data or records management.	In 18/19 the organisation undertook a full review of its information asset register. Data management policies and procedures are in place; mandatory data protection training has been provided to all staff; and regular communications are circulated to raise awareness.
Risk that the organisation does not attract staff and retain key skills across the organisation.	VisitScotland continues to build on the employer brand work and utilize a range of services and contacts to attract quality staff. Development and talent management is a fundamental element of our people strategy.

INFORMATION AND DATA SECURITY

VisitScotland has in place a range of systems and measures which ensure that information held by the organisation and held by third parties on behalf of the organisation, is secure. The Data Governance and Security Group monitors and controls the organisation's overall legal and regulatory compliance concerning the release of data from the organisation.

In addition, VisitScotland has implemented Scottish Government guidance on data security and information risk through the creation of an information asset register, an information risk register, utilisation of risk assessments and awareness training for staff.

The Scottish Government have implemented a Cyber Resilience Action Plan, it aims to ensure that Scotland's public bodies work towards becoming exemplars of cyber resilience. VisitScotland have implemented the common baseline cyber security standards and gained Cyber Essentials certification, as well as adhering to best practice guidelines on a risk-based and proportionate basis. Cyber security standards continue to develop and VisitScotland have a Cyber Resilience Group and an action plan in place to continually enhance the level of security and ensure the organisation has an appropriate level of resilience. Cyber resilience and security is a standing item on the agenda of our Leadership Group as well as our Data Governance and Security Group. An update is provided to the Board at each meeting.

VisitScotland closely monitor data protection legislation through the Data Governance and Security Group and the Data Protection Officer. Training on data protection and information security is included in the induction process for new staff. All staff receive periodic refresher training and are provided with security and data protection updates.

There have been no lapses in data security of a reportable or significant nature.

FRAUD, CORRUPTION AND BRIBERY

VisitScotland subscribes to the principles outlined in the Scottish National Fraud Initiative (NFI). We include data on our staff as part of the NFI exercise.

We produce annual reports on fraud and bribery. These are considered by the audit committee and this forms part of the annual assurance process. The 2018/19 report confirms that there were no material instances of fraud or bribery identified or detected in VisitScotland this year.

ASSESSMENT OF EFFECTIVENESS OF INTERNAL CONTROL AND RISK MANAGEMENT

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control and risk management.

My review is informed by:

- the work and views of the Audit and Risk committee;
- the documented assurances of executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to VisitScotland's Audit & Risk Committee regular reports on the adequacy and effectiveness of internal control together with recommendations for improvement;

- comments made by the external auditors in their management letters and other reports;
- The outcome and feedback of external auditors during their annual statutory audit.

AUDIT & RISK COMMITTEE

The Audit & Risk Committee reviews the reports from both internal and external auditors. In addition, they agree the annual internal audit plan, review the Corporate Risk Register reports, as well as carrying out ad-hoc reviews of departmental/project Risk sub-registers that underpin the principal Corporate Risk Register and seeking assurances from management on any matters arising.

MANAGEMENT ASSURANCE STATEMENTS

Annually, management are required to review the internal control systems throughout the organisation, and to provide assurances and comments via completion of a detailed Internal Control Checklist.

INDEPENDENT INTERNAL AUDIT

For 2018/19, Visit Scotland internal audit work has been carried out by the contracted services of independent auditors. Their role is to report on the adequacy and effectiveness of VisitScotland's systems of internal control and make any recommendations for improvement.

For 2018/19 the overall conclusion of the independent internal auditor in respect of the areas reviewed was:

“In our opinion VisitScotland has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks”.

STATUTORY EXTERNAL AUDIT

During the year Audit Scotland conducted an interim and year end audit. Audit Scotland have given unqualified audit opinions on the financial statements for the year ended 31 March 2019 and on the regularity of transactions reflected in the financial statements.

CONCLUSION

In summary, on the basis of the above processes, I confirm that I am content with the effectiveness of such procedures that enable VisitScotland to maintain appropriate best practice standards of governance and effective risk management, and my overall review has not highlighted any significant internal control weaknesses within VisitScotland. As a consequence, I have confirmed for 2018/19 that controls have been, and are, working well within VisitScotland, and that there are no significant matters arising which would require to be raised.

Malcolm Roughead OBE

Chief Executive

VisitScotland

September 2019.

The Remuneration and Staff Report

THE REMUNERATION AND STAFF REPORT

BOARD AND LEADERSHIP GROUP REPORT

REMUNERATION POLICY

Under the terms of the financial memorandum with the Scottish Government, an annual pay remit for all staff is submitted to the Scottish Government for approval. The pay remit must be within the terms of the Scottish Government's public sector pay policy.

Board Members: Remuneration for the Chair and Board Members is set by the Scottish Government and is reviewed annually. The Chair and Board Members of VisitScotland are appointed by Scottish Ministers normally for an initial period of three years, with the option of re-appointment for a second term.

Chief Executive: The Chief Executive's performance is appraised by the Chair in consultation with the Board, in session as the Board Remuneration Committee ("BRC"). His annual pay award and non-consolidated performance payments of up to 10% of base salary are considered by the BRC, and approved by the Scottish Government. This is in accordance with the Scottish Government's pay policy for senior appointments.

Directors: performance is appraised by the Chief Executive in consultation with the BRC. Their annual pay award, and non-consolidated performance payments of up to 10% of base salary, are considered by the BRC, and approved by the Chief Executive. Appointments of the Chief Executive and Directors are made on merit, and the appointments are on a permanent

basis. The notice period is 12 months for both Directors and the Chief Executive. Early termination, other than for misconduct, would result in payments under agreed contractual, or severance, arrangements.

Wider Leadership Group: individual performance is appraised by the Line Manager. Appointments of the Leadership Group are made by the Chief Executive and are reviewed on an annual basis. Their pay award is in line with VisitScotland's pay award to all staff members. For 2018/19 this was between 1%-3% dependent upon salary.

Remuneration includes gross salary, benefits in kind and any other allowance to the extent that it is subject to UK Taxation.

Board Members' Remuneration	2019	2018
	£'000	£'000
Lord Thurso	30-35	30-35
Professor Anne Anderson	5-10	5-10
Catherine Craig	5-10	5-10
Rebecca Brooks	5-10	5-10
Gordon Dewar	5-10	5-10
Stephen Hagan	5-10	5-10
Carolyn Jameson	5-10	5-10
Calum Ross	5-10	5-10
Caroline Roxburgh	5-10	5-10
Steve Dunlop	0-5	5-10

There were two Board Member resignations in year. Steve Dunlop resigned in April 2018. Gordon Dewar resigned in September 2018.

Leadership group remuneration

		18/19	18/19	18/19	18/19	18/19
		Salary	Car Allowance	Non-cash benefits (g)	Pension Benefit (h)	Total
		£'000	£'000	£	£'000	£'000
Malcolm Roughead (a)	Chief Executive	145-150		5,500		150-155
Ken Neilson	Director of Corporate Services	105-110		3,400	28	140-145
Paul Bush	Director of Events	100-105	5-10	100	6	110-115
Riddell Graham	Director of Industry Destination Development	95-100	5-10	100	22	120-125
Ken Massie	Head of Regional Leadership and Development	70-75		100	27	105-110
Vicki Miller (c)	Director of Marketing and Digital	85-90		4,400	76	165-170
Lynn Jack	Head of HR	65-70		100	31	100-105
Susan Dickie	Head of Insights	65-70		100	51	120-125
Lynne Raeside (d)	Head of Business Affairs (resigned Aug 18)	25-30		100	6	30-35
Michelle Lavery	Head of Finance	60-65		100	31	95-100
Leanne Elliot (e)	HR Operations Manager	30-35		100	12	40-45
Barbara Clark (f)	Head of Communications (Joined LG Dec 18)	20-25		100	39	60-65
Mike Slack (f)	Head of IT (Joined LG Dec 18)	20-25		100	27	50-55
Robbie Clyde (f)	Head of EventScotland	70-75		100	12	80-85
Charles Smith (b)	Director of Marketing and Digital	40-45	0-5	100	7	45-50
		17/18	17/18	17/18	17/18	17/18
		Salary	Car Allowance	Non-cash benefits (g)	Pension Benefit (h)	Total
		£'000	£'000	£	£'000	£'000
Malcolm Roughead (a)	Chief Executive	140-145		6,300	0	150-155
Charles Smith	Director of Marketing and Digital	120-125	5-10	100	31	155-160
Ken Neilson	Director of Corporate Services	105-110		3,000	21	130-135
Paul Bush	Director of Events	100-105	5-10	100	34	140-145
Riddell Graham	Director of Industry Destination Development	90-95	5-10	100	1	100-105
Ken Massie	Head of Regional Leadership and Development	70-75		100	20	90-95
Vicki Miller	Head of Customer Experience	70-75		3,900	21	95-100
Lynn Jack	Head of HR	65-70		100	18	80-85
Susan Dickie	Head of Insights	60-65		100	28	90-95
Lynne Raeside	Head of Business Affairs	60-65		100	34	90-95
Stuart Turner	Head of EventScotland	55-60		-	11	65-70
Michelle Lavery	Head of Finance	50-55		100	21	70-75
Alexander Brogan	Interim Head of HR	45-50		-	18	65-70
Leanne Elliot	HR Operations Manager	30-40		100	13	50-55

Pension entitlements

- (a) From 1.4.14, Malcolm Roughead no longer contributes to the BTB Pension Scheme, nor any other VS scheme
 (b) Charlie Smith was seconded to Scottish Enterprise for 1 year from July 2018. FTE salary band 120-125k annual equivalent
 (c) Vicki Miller was seconded to Director of Marketing and Digital in August 2018 from her previous role of Head of Customer Experience.
 (d) Lynne Raeside resigned from VisitScotland in August 2018
 (e) Leanne Elliot left the Leadership Group in December 2018. Figures are stated pro-rata.
 (f) Robbie Clyde joined the Leadership group at the start of financial year. Barbara Clark and Mike Slack were appointed to the Leadership Group in December 2018. Figures are stated pro-rata.
 (g) Non-cash benefits disclosed to the nearest £100
 (h) The value of pension benefits accrued during 2018/19 is calculated as the real increase in pensions and applying the HMRC methodology multiplier of 20, less the contributions made by the individual. The real increase in pension excludes increases due to inflation, or any increase due to transfer of pension rights.
- Additional Notes: No performance pay or bonuses were paid or payable during 2018/19
 Non-cash benefits (Benefits in Kind) disclosed to the nearest £100

In accordance with the Scottish Government's pay policy, the Chief Executive and the Leadership Group members received a pay increase in 2018/19, in line with Scottish Governments pay policy but did not receive any bonus award.

		Accrued pension	Real increase in annual pension	CETV	CETV: Increase net of members' contributions
		£'000	note (d) £'000	note (b) £'000	note (c) & (e) £'000
Leadership Group					
Malcolm Roughead	Chief Executive	30-35	0-2.5	1,151	65
Ken Neilson	Director of Corporate Services	25-30	0-2.5	864	101
Paul Bush	Director of Events	35-40	0-2.5	1,213	57
Riddell Graham	Director of Industry Destination Development	65-70	0-2.5	2,256	117
Ken Massie	Head of Regional Leadership and Development	5-10	0-2.5	220	46
Vicki Miller	Director of Marketing and Digital	15-20	2.5-5	398	112
Lynn Jack	Head of HR	15-20	0-2.5	483	81
Susan Dickie	Head of Insights	20-25	2.5-5	715	126
Lynne Raeside	Head of Business Affairs	15-20	0-2.5	460	46
Michelle Lavery	Head of Finance	0-5	0-2.5	78	31
Leanne Elliot	HR Operations Manager	0-5	0-2.5	56	15
Barbara Clark	Head of Communications	20-25	0-2.5	881	114
Mike Slack	Head of IT	10-15	0-2.5	266	50
Robbie Clyde	Head of EventScotland	0-5	0-2.5	17	13
Charles Smith	Director of Marketing and Digital	5-10	0-2.5	152	20

As at 31 March 2018		Accrued pension	Real increase in	CETV <i>note</i>	CETV: Increase
Executive Director		£'000	£'000	(b) £'000	net of £'000
Malcolm Roughead	Chief Executive	30-35	0	1,061	-69
Charles Smith	Director of Marketing	5-10	0-2.5	123	24
Ken Neilson	Director of Corporate Services	20-25	0-2.5	740	-9
Paul Bush	Director of Events	30-35	0-2.5	1,123	7
Riddell Graham	Director of Industry Destination Development	60-65	0-2.5	2,084	-77
Ken Massie	Head of Regional Leadership and Development	5-10	0-2.5	166	14
Vicki Miller	Head of Customer Experience	10-15	0-2.5	275	21
Lynn Jack	Head of HR	15-20	0-2.5	389	21
Susan Dickie	Head of Insights	15-20	0-2.5	571	28
Lynne Raeside	Head of Business Affairs	15-20	0-2.5	401	40
Stuart Turner	Head of Event Scotland	10-15	0-2.5	249	-1
Michelle Lavery	Head of Finance	0-5	0-2.5	43	15
Alexander Brogan	Interim Head of HR	0-5	0-2.5	84	20
Leanne Elliot	HR Operations Manager	0-5	0-2.5	38	11

Notes:

(a) Pension calculations are based on the pensionable salary at 31 March.

(b) **Cash Equivalent Transfer Value (CETV)** is a lump sum value in today's terms of the benefits accrued by a member of the pension scheme. The sum is assessed by an actuary and is the amount which would be offered by the scheme to transfer benefits into another scheme when the member leaves. Within BTPS, CETV is computed by reference to factors agreed by the Trustees of the BTPS.

(c) **CETV: Increase net of members' contributions.** This reflects the increase in CETV effectively funded by the employers over the year. It takes account of the change in accrued pension due to additional accrual and salary growth, excluding inflation, and uses common market factors for the start and end of the period. It does not include any increase in value that arises from contributions paid by the employee or the value of any benefits transferred from another pension scheme.

(d) The real increase in annual pension excludes any increase in inflation or any increase due to a transfer of pension rights.

(e) The assumptions used include future long-term interest rates and inflation. Certain members of the British Tourist Boards' Pension Scheme can choose to retire from age 60.

The Chair and Board members are not members of the pension schemes. However, pensions are paid to two previous Chairmen, and a provision has been made for this in these financial statements (Note 21).

COMPENSATION AND POST EMPLOYMENT PAYMENTS

VisitScotland is required to disclose any compensation payments made on early retirement or for loss of office for senior members of staff, and any payments made to past directors.

FAIR PAY DISCLOSURE

The highest paid member of the Leadership Group was the Chief Executive. His annualised salary before Pension benefits was 5.65 times the £26,451 median earnings of the organisation's work-force in 2018-19 (2017-18: 6.41 x £22,725).

The Median Total Remuneration calculation continues to be impacted by adoption of the living wage recommendations.

	18/19	17/18
Highest-Paid Director's Salary	£145k-£150k	£145k-£150k
Median Total remuneration	£26,451	£22,725
Ratio	5.65	6.41

STAFF NUMBERS AND COSTS

	2018/19 £'000	2017/18 £'000
Salaries	17,792	17,283
Social security costs	1,625	1,564
Voluntary severance - in year	46	338
Voluntary severance - accrued	-	578
Provision - McCloud*	110	-
Pension costs - current service	6,395	5,361
Total Staff Costs	25,968	25,123
Agency fees in respect of temporary staff, included above	395	337

See also note 3 to the accounts.

*See note 21

STAFF COMPOSITION

The average number of full-time equivalent employees during the year was as follows:

Leadership Group	15
Operational and support staff:	
Directors	5
Heads of department	15
All other staff (including Seasonal and Youth Employment Schemes)	505
Fixed term contract (including Seasonal & Youth Employment Schemes)	68
Fixed term contract (excluding Seasonal & Youth Employment Schemes)	30
Temporary staff	-
Total FTE @ 31/03/19	525
Total average number of full-time equivalents for 2018/19	558

SICKNESS ABSENCE DATA AND EMPLOYMENT STATISTICS

	2018/19	2017/18
Staff Turnover	12.55%	18.91%
Sickness Absence	2.04%	1.67%
Sickness Absence days/person	5.31%	4.35%
Male:Female Ratio – Total Workforce	32:68	30:70
Male:Female Ratio – Board Members	44:56	50:50
Male:Female Ratio – Leadership Group	55:45	50:50
Male:Female Ratio – Heads of Department	40:60	31:69
Staff Salary range (excluding Leadership Group)	£17k-£76k	£17k-£76k

EQUALITY AND DIVERSITY

Enhancing access to tourism in Scotland, promoting the social and economic benefits of fostering good relations within the tourism industry and between tourism businesses and visitors, and supporting positive opportunities for the sector, are key features of each of our strategies. Equality is therefore an integral driver of our function as a service provider to both tourism businesses and visitors, and of our own commitment as an employer, and we strive to mainstream the delivery of equality throughout our organisation.

Our dedicated equality outcomes outline the focus of our work towards meeting our duties as a public authority under the general equality duty of the Equality Act 2010, which are to have due regard, in the exercise of our functions, to the need to eliminate discrimination, advance equality of opportunity and foster good relations.

VisitScotland maintains an inclusive environment, and is committed to the continued development of diversity and equal opportunities as represented by its published Mainstreaming Equality Report which can be found on our corporate website. The latest Mainstreaming Equality Report was published April 2019. The report includes information on all the work we have done to promote equality within VisitScotland and externally working in partnership with the tourism industry and Government.

As an organisation, we recognise that successfully meeting our general equality duty is not only about working towards specific equality outcomes, but about ensuring that the needs of the organisation are an integral part of our business function. As part of developing equality into our business, we will be training staff to carry out Equality Impact Assessments

on all major policies within VisitScotland. Our customer facing staff will receive specific disability equality training, enabling them to provide quality customer service to all our customers, including those with hidden disabilities, and senior travellers.

To help direct the work we have a Staff Equality Working Group that oversees all the internal work within VisitScotland and as result this last year we have set up staff support groups for LGBT+ and staff with hidden disabilities. VisitScotland has also attained Level 1 in both the Disability Confident and Carers Initiatives which highlights the support we provide for staff in both these areas.

Our Equality vision is founded on the fact that harnessing differences will create a productive environment in which everyone feels valued and their talents are being recognised, through which our business and organisational goals are met.

GENDER PAY GAP

VisitScotland undertook its latest analysis of VisitScotland employee salaries as part of its obligations to undertake regular Equal Pay Audits. The data used for the audit is based on a snapshot of staff as at 31st December. The results of this have been published in the latest Equality and Diversity Mainstreaming Report which was published on our corporate website in April 2019. This report highlighted that VisitScotland has seen a reduction in the gender pay gap for the organisation as a whole from 25.9% to 21.2% since the 2017 report and a reduction to 10.6% on a median measurement.

The full Equality and Diversity Mainstreaming report and detailed analysis, together with the actions the organisation is taking, can be found at www.visitscotland.org/about-us/our-policies/equality

INDUSTRIAL RELATIONS

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The disclosures required by these regulations are within the tables below:

Number of employees who were relevant officials during the year	2
Full-time equivalent employee number	2

Percentage of time spent on facility time	No. of Employees
0%	-
1% - 50%	2
51% -99%	-
100%	-

Percentage of total paybill spent on facility time	0.001%
Time spent on paid activities as a % of total paid facility time	20%
Total cost of time	£300

EXPENDITURE ON CONSULTANCY

	2018/19	2017/18
Consultancy	26,110	14,487

EXIT PACKAGES

VOLUNTARY SEVERANCE COSTS

Ongoing business re-organisation during the year has meant that the opportunity for voluntary departure by staff, in accordance with VisitScotland's approved voluntary severance scheme, was taken up by 50 members of staff in 18/19 at a total cost of £563k (578k accrued in 17/18).

	2018/19	2017/18
£0 - £20,000	43	28
£20,001 - £40,000	6	2
£40,001 - £60,000	1	0
£60,001 - £80,000	0	1
£80,001 - £120,000*	0	1
Total number of exit packages	50	32

There were no compulsory redundancies (2018: None)

Malcolm Roughead OBE

Chief Executive, VisitScotland

September 2019

Parliamentary Accountability Report

REGULARITY OF EXPENDITURE

VisitScotland is held to account by the Scottish Ministers, in accordance with the requirements of Section 6(1) of the Development of Tourism Boards (Scotland) Act 2006. The main financial objective for 2018/19 is to ensure that the financial outturn for the year is within the Resource Budget allocated by the Scottish Ministers. VisitScotland achieved this objective. The Statement of Resource Outturn is on page 47.

REMOTE CONTINGENT LIABILITIES

There is the remote possibility that a proportion of grants previously received may need to be repaid. This will remain until official timelines expire in relation to specific grants. Details are within Note 24 to the Financial Statements.

STATEMENT OF LOSSES AND SPECIAL PAYMENTS

Losses: None during 2018/19 (2017/18: None) other than trade debts written off during the year (see Note 22 to the Financial Statements)

Special Payments: Voluntary severance paid in year amounted to £563k (£578k accrued in 17/18) (see exit packages note). These were the only special payments made during the year.

FEES AND CHARGES INCOME

	Notes	2019 £'000	2018 £'000
Retail Sales			
Product Income	I	3,219	3,466
Cost of Sales		(1,464)	(1,543)
Gross Profit		1,755	1,923
GP percentage		54.52%	55.5%
Business Promotion and Advertising income			
Exhibitions and Promotional advertising	II	1,072	1,037
Joint Promotional Campaigns	III	437	833
		1,509	1,869
Quality Assurance	IV		
Award Scheme Fees	V	929	1,013
Less: Direct Costs of Service		1,124	1,161
Net Cost of Service Delivery		(195)	(148)

- I Sales of information and visitor products through the network of VisitScotland Information centres
- II Exhibitions/promotions supported during the year. Partners are charged on a cost recovery basis
- III Joint promotional campaigns with business partners
- IV The Quality Assurance programme is aimed at promoting the many accommodation providers across Scotland by awarding a grading of their respective establishments in accordance with approved standards as laid down by the BHA
- V VisitScotland charges a nominal fee based on the size of the establishment and the number of rooms

Malcolm Roughead OBE

Chief Executive, VisitScotland

September 2019

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VISITSCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION ON FINANCIAL STATEMENTS

I have audited the financial statements in the annual report and financial statements of VisitScotland for the year ended 31 March 2019 under the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006. The financial statements comprise the VisitScotland Statement of Comprehensive Net Expenditure, the VisitScotland Statement of Financial Position, the VisitScotland Cash Flow Statement, the VisitScotland Statement of Changes in Taxpayers' Equity and Notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Development of Tourism Act 1969 as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2019 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the Development of Tourism Act 1969 as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers.

BASIS FOR OPINION

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice \[www.audit-scotland.gov.uk/uploads/docs/report/2016/code_audit_practice_16.pdf\]\(http://www.audit-scotland.gov.uk/uploads/docs/report/2016/code_audit_practice_16.pdf\)](http://www.audit-scotland.gov.uk/uploads/docs/report/2016/code_audit_practice_16.pdf) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 26 May 2017. The period of total uninterrupted appointment is two years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

CONCLUSIONS RELATING TO GOING CONCERN BASIS OF ACCOUNTING

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

RISKS OF MATERIAL MISSTATEMENT

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website www.audit-scotland.gov.uk/our-work/annual-audits](http://www.audit-scotland.gov.uk/our-work/annual-audits), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

RESPONSIBILITIES OF THE ACCOUNTABLE OFFICER FOR THE FINANCIAL STATEMENTS

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

OTHER INFORMATION IN THE ANNUAL REPORT AND FINANCIAL STATEMENTS

The Accountable Officer is responsible for the other information in the annual report and financial statements. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and financial statements and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON REGULARITY OF EXPENDITURE AND INCOME

OPINION ON REGULARITY

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

RESPONSIBILITIES FOR REGULARITY

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

REPORT ON OTHER REQUIREMENTS

OPINIONS ON MATTERS PRESCRIBED BY THE AUDITOR GENERAL FOR SCOTLAND

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006 and directions made thereunder by the Scottish Ministers.

MATTERS ON WHICH I AM REQUIRED TO REPORT BY EXCEPTION

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of The Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

CONCLUSIONS ON WIDER SCOPE RESPONSIBILITIES

In addition to my responsibilities for the annual report and financial statements, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

USE OF MY REPORT

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gordon Smail

Audit Director

Audit Scotland

4th Floor

102 West Port

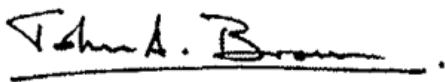
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September 2019

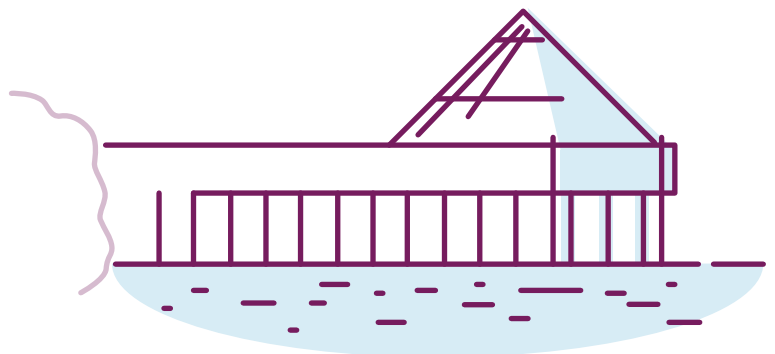
DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in pursuance of Section 6(1) of the Development of Tourism Act 1969, as amended by the Tourist Boards (Scotland) Act 2006, hereby give the following direction:

- i. The statement of accounts for the financial year ended 31 March 2008, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
- ii. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
- iii. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 11 January 2006 is hereby revoked.



Signed by the authority of the Scottish Ministers
Dated 30 July 2008



VisitScotland statement of comprehensive net expenditure for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Resource Expenditure			
Marketing activities		44,309	42,883
Partnership engagement		4,272	3,803
Support services		6,983	6,256
		55,564	52,942
Non-Resource Expenditure			
Pension Costs - IAS 19 adjustments	19.2	4,174	3,463
Gross expenditure	2, 3	59,738	56,405
Income			
Retail and commercial	4	(4,749)	(5,180)
Other income	5	(1,401)	(1,862)
Net expenditure		53,588	49,363
Finance costs	6	29	46
Finance income		-	-
Net operating expenditure before taxation		53,617	49,409
Corporation tax	7	-	-
Net operating expenditure		53,617	49,409
Other Comprehensive Expenditure/(Income)			
Net actuarial (surplus)/deficit on valuation of retirement benefit schemes	19.2	(8,788)	(4,673)
(Surplus)/Deficit arising on revaluation of property, plant and equipment		(112)	(132)
(Surplus)/Deficit arising on revaluation of Finance Leased assets		-	(191)
Total other comprehensive expenditure		(8,900)	(4,996)
Total comprehensive net expenditure		44,717	44,413

VisitScotland statement of financial position as at 31 March 2019

	Notes	2019 £'000	2018 £'000
Assets			
Non-Current			
Tangible fixed assets	9	5,274	4,625
Intangible assets	8	1,106	232
Total non current assets		6,380	4,857
Current			
Inventories	12	604	718
Trade and other receivables	13	2,429	2,191
Cash and cash equivalents	14	5,721	5,414
Total current assets		8,754	8,323
Non-Current assets classified as held for sale	10	-	25
Total Assets		15,134	13,205
Liabilities			
Current			
Other borrowings	17	(328)	(310)
Trade and other payables	16	(11,495)	(10,477)
Total current liabilities		(11,823)	(10,787)
Non current liabilities			
Other borrowings	17	(205)	(533)
Provisions	21	(709)	(116)
Other payables	-	-	-
Retirement benefit obligations	19.2	(30,305)	(34,919)
Total non-current liabilities		(31,219)	(35,568)
Total Liabilities		(43,042)	(46,355)
Net Liabilities		(27,908)	(33,150)
Taxpayers' equity			
General reserve		1,246	549
Pension reserve		(30,305)	(34,919)
Revaluation reserve		1,151	1,220
Total Equity		(27,908)	(33,150)

The Accountable officer authorised these financial statements for issue on.

Malcolm Roughead OBE

Chief Executive, VisitScotland

VisitScotland cash flow statement for the year ended 31 March 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Net operating expenditure before taxation		53,617	49,409
Items not involving the flow of cash			
Depreciation of tangible fixed assets		(882)	(945)
Impairment of tangible fixed assets		(63)	-
Loss on disposal of assets		(17)	(15)
Amortisation of intangible fixed assets		(58)	(3)
Net pension service costs and return on assets		(4,173)	(3,463)
Miscellaneous		(23)	(24)
Net financing costs		(29)	(46)
Movements in working capital			
Increase/(Decrease) in inventories		(114)	37
(Decrease)/Increase in receivables		238	790
Decrease/(Increase) in payables		(1,019)	(766)
Movements in provisions			
(Increase)/Decrease in provisions		(593)	4
Net cash flow from operations		46,884	44,978
Interest paid		29	46
Net cash outflow from operating activities		46,913	45,024
Cash flows from investing activities			
Payments to acquire tangible fixed assets		1,716	783
Payments to acquire intangible fixed assets		932	232
Net cash flows used in investing activities		2,648	1,015
Cash flows from financing activities			
Grant-in-Aid from Scottish Government		(49,959)	(46,008)
Decrease in other borrowings- obligations under finance leases		310	321
Cash receipts to be reinvested		(219)	(395)
Net cash flows from financing activities		(49,868)	(46,082)
Net (increase)/decrease in cash and cash equivalents		(307)	(43)
Cash and cash equivalents as at 1 April		5,414	5,371
Cash and cash equivalents as at 31 March		5,721	5,414

VisitScotland statement of changes in taxpayers' equity
for the year ended 31 March 2019

	General Reserve £'000	Pension Reserve £'000	Revaluation Reserve £'000	Total £'000
Balance at 1 April 2017	478	(36,129)	906	(34,745)
Net operating expenditure	(49,409)	-	-	(49,409)
Surplus/(deficit) arising on revaluation of property, plant and equipment	-	-	323	323
Transfer balance on revaluation reserve	9	-	(9)	-
Transfer between reserves	3,463	(3,463)	-	-
Net actuarial gains/(losses) in retirement benefit schemes	-	4,673	-	4,673
Total recognised income and expense	(45,937)	1,210	314	(44,413)
Grant in aid from Scottish Government	46,008	-	-	46,008
Balance at 1 April 2018	549	(34,919)	1,220	(33,150)
Net operating expenditure	(53,617)	-	-	(53,617)
Transfer between reserves	4,174	(4,174)	-	-
Transfer on disposal	181	-	(181)	-
Movement in Revaluation Reserve on Revaluation	-	-	112	112
Net actuarial gains/(losses) in retirement benefit schemes	-	8,787	-	8,787
Total recognised income and expense	(49,262)	4,614	(69)	(44,718)
Grant in aid from Scottish Government	49,959	-	-	49,959
Balance at 31 March 2019	1,246	(30,305)	1,151	(27,908)

Notes to the financial statements

1

Accounting policies

BASIS OF PREPARATION

These financial statements have been prepared in accordance with the 2018/19 Government Financial Reporting Manual (FRM) issued by the Scottish Government. The accounting policies contained in the FRM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context, and without limiting the information given, the financial statements meet the relevant disclosure requirements, so far as those requirements are appropriate, and in accordance with the Accounts Direction given by Scottish Ministers.

Where the FRM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of VisitScotland for the purpose of giving a true and fair view has been selected.

By reason of the fact that all VisitScotland subsidiaries are now non-trading / dormant, there is no longer any purpose to be served by the consolidation of subsidiary accounts, since their inclusion is not material for the purpose of giving a true and fair view.

The particular policies adopted by VisitScotland covering these financial statements for the year ended 31 March 2019 are described below. They have been applied consistently in dealing with the items that are considered material to the financial statements.

BASIS OF ACCOUNTING

Under Section 6(1) of The Development of Tourism Act 1969, VisitScotland is required to prepare an annual Statement of Accounts in such form, and containing such particulars as Scottish Ministers may from time to time direct. A copy of the Accounts Direction, at present in force, is set out on page 71.

These financial statements are presented in £ sterling, which is the organisation's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

GOING CONCERN

The terms of the management statement between the Scottish Ministers and VisitScotland require that VisitScotland shall conduct its affairs so as to remain solvent within the total resources made available to it by funding bodies. These financial statements have been prepared on this basis. VisitScotland has net liabilities as at the date of the statement of financial position of £27.91 million (2018: £33.15 million net liabilities), arising from its obligations in respect of the inclusion of retirement benefit obligations falling due in future years, in accordance with the accounting treatment required by IAS 19 'Employee Benefits'.

To the extent that they are not to be met from VisitScotland's other sources of income, these liabilities may only be met by future grants or Grant-in-Aid from the Scottish Government. This is because, under the normal conventions applying to the parliamentary control over income and expenditure, such grants may not be issued in advance of need.

In 2019/20, VisitScotland received formal guarantee from the Scottish Government for the BTB pension scheme. This stated that in the event the BTB Pension Fund and VisitScotland were unable to meet the cost of paying the pensions promised to members, the government stands behind the Fund and will meet these obligations.

Grant in Aid for 2019-20, taking into account the amounts required to meet the VisitScotland's liabilities falling due have already been included in the Scottish Government's estimates which have been approved by the Scottish Parliament. There is no reason to believe that the Scottish Government's future sponsorship and parliamentary approval will not be forthcoming. It is therefore appropriate to adopt a going concern basis for the preparation of these financial statements. Details of VisitScotland's liquidity position is given in Note 20.

ACCOUNTING CONVENTION

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangibles, inventories, and assets classified as held for sale.

NON-CONSOLIDATION

In accordance with section 405 of Companies Act 2006, and with the agreement of the Scottish Government, VisitScotland no longer prepares consolidated financial statements embracing its subsidiary companies since all are now in a dormant state.

FUNDING

Much of the expenditure incurred by VisitScotland is met from funds advanced by the Scottish Government within an approved allocation of Grant-in-Aid ("GIA"). Cash drawn down to fund expenditure within this approved allocation is credited to the general fund.

INCOME

Income receipts are accounted for in line with the requirements of IFRS 15: revenue is recognised when (or as) it satisfies a performance obligation, when control of the promised good or service has been passed over.

Where applicable, income is shown exclusive of Value Added Tax (VAT).

GOVERNMENT GRANTS

Where assets are financed by government grant or donation, the funding element is recognised as income and taken through the statement of comprehensive net expenditure. Deferral of this income will only occur when a condition has been imposed by the funder to the extent that it must be a requirement that the future economic benefits embodied in the grant/donation are consumed as specified by the grantor/donor or must be returned to them.

Grants-in-Aid, whether for revenue or capital purposes, are treated as contributions from controlling parties giving rise to a financial interest in the residual interest of the reporting entity, and are credited to general reserves.

EXPENDITURE

MARKETING ACTIVITIES

Marketing activities incorporate all expenditure, direct and indirect, associated with the marketing, selling, support, and delivery of the principal function of VisitScotland, i.e. the development of tourism in Scotland.

The expenditure is recorded in the period in which the goods are received, or the services are carried out.

PARTNERSHIP ENGAGEMENT

Partnership engagement includes all expenditure relating to the development of partnership arrangements to promote tourism in Scotland. It also includes all expenditure associated with the provision of direct support in the maintenance, and monitoring, of quality standards within the network of providers of tourist accommodation and facilities across Scotland.

The expenditure is recorded in the period in which the goods are received, or the services carried out.

SUPPORT SERVICES

Support services include the remaining administrative costs of running the organisation.

Where applicable, all categories of expenditure are shown exclusive of Value Added Tax (VAT).

GRANTS PAID

Grants awarded to third parties are accounted for on an accruals basis, subject to the grantee meeting specific terms and conditions attached to each grant.

INVENTORIES

Inventories of saleable publications, retail and promotional items are stated at the lower of cost and net realisable value. Costs incurred in producing free issue brochures, and obtaining promotional items for which no selling price is charged, are written off to the statement of comprehensive net expenditure in the year of purchase.

FOREIGN EXCHANGE

Assets and liabilities denominated in foreign currencies have been translated into Sterling equivalent values at the spot rate of exchange ruling at the date of the statement of financial position. Any exchange rate fluctuations are taken to the statement of comprehensive net expenditure.

INTANGIBLE ASSETS

In accordance with IFRS 3 an intangible asset acquired in a business combination is deemed to have a cost to VisitScotland of its fair value at the acquisition date. Intangible assets, arising upon acquisition, are recognised separately from goodwill.

Under IAS 38 “Intangible Assets”, after initial recognition, intangible assets are carried at their re-valued amounts, being their fair value at the date of the revaluation, less any subsequent accumulated amortisation, and any subsequent accumulated impairment losses, unless there is no active market for those assets, in which case the assets are carried at the lower of depreciated replacement cost and value in use for cash generating assets, and depreciated replacement cost for non-generating assets.

Other intangible assets are stated at fair value determined at the date of acquisition of the related underlying business, or at cost if they are separately acquired or represent internally developed software, less accumulated amortisation and impairment losses.

Direct costs related to the development of software for internal use are capitalised only if the costs can be measured reliably, technological feasibility has been established, future economic benefits are probable and VisitScotland intends to use the software. All other costs are expensed as incurred.

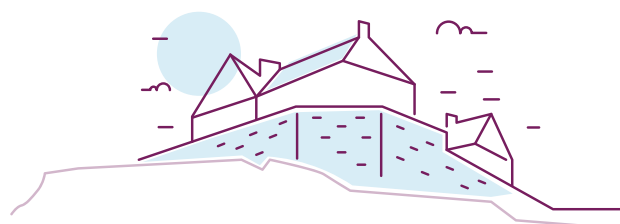
Amortisation is computed, and charged to the statement of comprehensive net expenditure, using the straight-line method based on the estimated useful lives, which are as follows:

Information technology	2-4 years
Software licences	4-6 years
Web site development	1-6 years

Software licenses are capitalised when they are capable of being used in VisitScotland activities for more than one year, can be valued, and have a cost of at least £2,000.

The useful lives are reviewed, and adjusted if appropriate, at the date of each statement of financial position.

An impairment review of other intangible assets is carried out annually by directors, and any impairment charged to the statement of comprehensive net expenditure.



IMPAIRMENT

The carrying value of VisitScotland’s assets is reviewed at the date of each statement of financial position to determine whether there is any indication of impairment. If such an indication exists, the asset’s recoverable amount is estimated. The recoverable amount of an asset is the higher of fair value less costs to sell and value in use.

NON-CURRENT ASSETS

Non-current assets are assessed at fair value. An impairment loss is recognised in the statement of comprehensive net expenditure for the amount by which the asset’s carrying amount exceeds its recoverable amount.

In subsequent years, impairment losses recognised in respect of non-current assets other than goodwill may be reversed, and recognised immediately in the statement of comprehensive net expenditure. The carrying amount is increased to the revised estimate of the recoverable amount.

PROPERTY, PLANT AND EQUIPMENT

PROPERTY - LAND AND BUILDINGS

LAND AND BUILDINGS ARE CARRIED AT FAIR VALUE.

The fair value of all land and buildings is assessed by performing a full valuation at least every five years, and an interim valuation in year three. Interim valuations are carried out in years one, two and four where it is deemed likely that there has been a material change in value. The valuations are carried out by professionally Qualified Valuers, in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuations Standards, insofar as these Standards are consistent with the agreed requirements of the FReM.

Land is regarded as having unlimited useful life and therefore is not depreciated.

Buildings are depreciated on straight line basis over their expected useful lives between 30-50 years.

Buildings under construction are valued at current cost. At first valuation after being brought into use, any write down of the cost is treated as impairment, and charged to the statement of comprehensive net expenditure.

Upon revaluation gains are credited to the statement of comprehensive net expenditure to the extent that they reverse previous impairment on that asset. All other gains are credited to the revaluation reserve.

Losses on revaluation are first charged against the surplus previously credited to reserve for that property, with the balance of any loss being charged to the statement of comprehensive net expenditure.

An annual review takes place to consider losses in value (impairment) due to a change in the consumption of economic benefits, with such losses being charged to the statement of comprehensive net expenditure.

LEASEHOLD PROPERTY - DESIGNATED AS FINANCE LEASES

Leasehold land is accounted for as an operating lease.

In respect of leasehold buildings, the subject of a finance lease, they are recognised at their fair value, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

At first valuation after being brought into use, any write down of the cost is treated as impairment and charged to the statement of comprehensive net expenditure.

Subsequent valuations are undertaken on the basis of the fair value of VisitScotland's remaining heritable interest in the leased building, in the same way as owned property.

Gains arising on revaluation are credited to the revaluation reserve, and losses are first charged against the surplus remaining, previously credited to the reserve, for that property, with the balance of any loss being charged to the statement of comprehensive net expenditure.

Upon early termination of a lease any surplus remaining in the revaluation reserve in respect of a leasehold building is transferred to the statement of comprehensive net expenditure in the year of termination.

NON-PROPERTY

LEASEHOLD BUILDING IMPROVEMENTS

Refurbishments are carried at fair value using appropriate indices, and depreciated straight line over the expected life of the building, or the term of the relevant lease, when shorter.

PLANT, EQUIPMENT, FIXTURES AND FITTINGS

Items of plant, equipment, fixtures and fittings are stated at cost, or valuation, less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition or construction of an asset, and includes borrowing costs incurred during construction.

Depreciation is computed, and charged to the statement of comprehensive net expenditure, using the straight-line method based upon estimated useful lives, taking into account the estimated residual value, together with any provision for permanent diminution in value.

All other subsequent expenditure represents repairs and maintenance, and is expensed as incurred.

The estimated useful lives of plant, equipment, fixtures and fittings are:

Vintage railway carriage	25 years
Fixtures and fittings	5-10 years
Plant & equipment	4-6 years
Computer equipment	2-6 years
Motor vehicles	4 years

Only plant and equipment and computer hardware costing in excess of £2,000 are capitalised.

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets are reviewed regularly to ensure that they continue to contribute positively to policy and business objectives. Assets that no longer provide the required level of contribution are considered for disposal by senior management.

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction, the asset is being actively marketed for sale, and a sale within a period of 12 months being highly probable.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs of disposal.

Non-current assets held for sale are not depreciated, however, any impairment is charged to the statement of comprehensive net expenditure.

LEASES

VISITSCOTLAND AS A LESSEE

Property, plant and equipment acquired through finance lease arrangements or long-term rental arrangements that transfer substantially all the risks and rewards incidental to ownership are capitalised.

They are recognised at their fair value at the inception of the lease, or if lower, at the present value of the minimum lease payments.

The corresponding liability to the lessor is included in the statement of financial position as a financing obligation. Lease payments are apportioned between finance charges and repayment of the finance lease obligation. Finance charges are charged directly to the statement of comprehensive net expenditure.

Contingent rentals are charged to the statement of comprehensive net expenditure in the period in which they are incurred.

Assets held under finance leases are depreciated over their expected useful lives, on the same basis as owned assets, or the term of the relevant lease, whichever is shorter.

Leasehold Property - Land and Buildings - in use on a peppercorn rent are deemed 'owned' by VisitScotland, and recorded at fair value in the statement of financial position, and depreciated over their useful lives or the term of the relevant lease, whichever is shorter.

Leases that do not transfer substantially all risks and rewards incidental to ownership are classified as operating leases. Rentals payable are charged to the statement of comprehensive net expenditure on a straight-line basis over the term of the relevant lease.

Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense on a straight-line basis over the lease term.

VISITSCOTLAND AS A LESSOR

Assets leased out under operating leases are included within their respective asset designation, and depreciated over their useful lives. Rental income, including the effect of lease incentives, is recognised on a straight line basis over the lease term.

Any lease incentives are paid to lessees to enter into operating leases, such incentives are initially recorded as an asset and recognised as a reduction of rental revenue in the statement of comprehensive net expenditure on a straight-line basis over the term.

Where VisitScotland transfers substantially all the risks and benefits of ownership of the asset, the arrangement is classified as a finance lease and a receivable is recognised for the initial direct costs of the lease and the present value of the minimum lease payments.

As payments fall due, finance income is recognised in the statement of comprehensive net expenditure.

TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive net expenditure except to the extent that it relates to items recognised directly in reserves. In this case, the tax is also recognised in reserves.

The current corporation tax charge is calculated on the basis of the tax laws enacted, or substantively enacted, at the balance sheet date, and adjustments for current taxes payable (receivable) for prior years.

VisitScotland is liable to corporation tax only on bank interest received at the rate under current legislation, enacted, or substantively enacted at the date of the statement of financial position.

DEFERRED TAX

In accordance with IAS 12 'Income Taxes', full provision is made for tax assets and liabilities, arising from timing differences between recognition of gains and losses in the financial statements and their recognition in the tax computation.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted, or substantially enacted, at the date of the statement of financial position. Deferred tax is measured on a non-discounted basis.

Deferred tax assets, including deferred tax assets for tax loss carry forward positions, and tax credit carry forward positions, are recognised only to the extent that it is probable that future taxable income will be available against which temporary differences, unused tax losses or unused tax credits can be utilised.

FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES

VisitScotland has classified its financial instruments in accordance with IFRS 9.

TRADE AND OTHER PAYABLES

Trade and other payables are initially recognised at fair value, which represent the invoiced amounts, less adjustment for estimated revenue deductions and subsequently measured at amortised cost.

FINANCIAL ASSETS

CASH AND CASH EQUIVALENTS

Cash and cash equivalents with regard to GIA and all expenditure are held within the Government Banking Service ("GBS") nominated accounts, and miscellaneous receivables within other commercial bank balances.

At initial recognition, VisitScotland classifies all other financial assets at fair value through the statement of comprehensive net expenditure. Financial assets are initially recognised at fair value (plus/net of transaction costs).

RECEIVABLES

This category comprises trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market.

Trade receivables are initially recognised at fair value that represent the invoiced amounts, less adjustments for estimated revenue deductions such as rebates and cash discounts.

Other receivables are carried at amortised cost (plus/net transaction costs) using the effective interest method, less any impairment losses. They are included in current assets, except for receivables with maturities greater than 12 months after the date of the statement of financial position.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires the Board and Accountable Officer to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about critical judgements in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is as follows:

RETIREMENT BENEFIT OBLIGATIONS

The present value of retirement benefit obligations depends upon a number of factors that are determined on an actuarial basis using a number of assumptions.

The assumptions used in determining the net cost or income for pensions include discount rate, salary growth, inflation rate, etc. Any changes in these assumptions will impact the carrying amount of retirement benefit calculations.

VisitScotland determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the retirement benefit obligations.

In determining the appropriate discount rate, VisitScotland considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement benefit obligations.

VisitScotland determines the appropriate rate for salary inflation based on consideration of inflation and long term assumptions in respect of salary increases.

Other key assumptions for retirement benefit obligations are based, in part, on current market conditions.

Additional information is disclosed in Notes 19.1 and 19.2.

VALUATION OF ASSETS

For all intangible assets, direct costs relating to the development of the asset are capitalised only if the costs can be measured reliably, technological feasibility has been established, and future economic benefits are probable. Management assess the business case prior to project initiation, at stages throughout the project, and on completion to ensure this criteria has been met.

The discounted cash flow model used to assess the impairment of intangible and tangible assets includes a number of assumptions, including estimates of future cash flows, discount rate, and other variables.

VisitScotland determines the appropriate discount rate at the end of each year that reflects current market assessments of the time value of money, and the risks specific to the asset.

COMPARATIVE AMOUNTS

Comparative amounts are provided in accordance with IAS 1 'Presentation of Financial Statements', except where a Standard or Interpretation permits otherwise and includes narrative and descriptive information when this is relevant to the understanding of the financial statements.

If it is necessary to re-classify comparative amounts, but deemed impractical so to do, in accordance with IAS 1 re-classification is not adopted, and a note shown in the financial statements to that effect.

CHANGES IN ACCOUNTING POLICY, ACCOUNTING ESTIMATES AND MIS-STATEMENTS

Changes in accounting policy, accounting estimates and mis-statements, are recognised in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

PROVISIONS

Provisions are recognised when;

- i. VisitScotland has a present (legal or constructive) obligation as a result of past events;
- ii. it is more likely than not that an outflow of resources will be required to settle the obligation, and
- iii. the amount can be reliably estimated.

The amount recognised is the best estimate of the expenditure required to settle the obligation. Provisions are discounted (at a rate prescribed by HM Treasury) whenever the effect of the time value of money is significant.

RELATED PARTY TRANSACTIONS

Related party transactions are identified, considered and disclosed in line with the requirements of IAS 24 'Related Party Disclosures' (Note 25).

EMPLOYEE BENEFITS

a. Retirement benefits

VisitScotland employees are members of either Scottish Local Government Pension Schemes ("LGPS") or the British Tourist Boards' Pension Scheme ("BTBPS"). All existing and new members of staff have the option of joining either the Lothian local government pension scheme or the BTBPS.

Local Government Pension Schemes, and the British Tourist Boards' Pension Scheme ("the Schemes")

The Schemes are defined benefit pension schemes providing benefits based on final pensionable pay, which are contracted out of the State Earnings-Related Pension Fund. Assets and liabilities of the Schemes are held separately from those of VisitScotland.

Defined benefit obligations are actuarially calculated at least annually at the date of the statement of financial position using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities.

Contributions to the Schemes are calculated so as to spread the cost of pensions over employees' working lives with VisitScotland. The contributions are determined by independent actuaries on the basis of triennial valuations using the Age Attained Method. The actuaries also review the progress of the Schemes in each of the intervening years. Variations from regular cost are spread over the expected average remaining working lifetime of members of the Schemes after making allowances for future withdrawals.

The expected cost of providing staff pensions to employees contributing to the Schemes is recognised in the statement of comprehensive net expenditure on a systematic basis over the expected average remaining lives of members of the funds in accordance with IAS 19 'Employee Benefits' and recognises retirement benefits as the benefits are earned and not when they are due to be paid.

All actuarial gains and losses so determined are recognised through the statement of comprehensive net expenditure.

b. Short-term employee benefits

A liability and an expense is recognised for holiday days, holiday pay, bonuses and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result an accrual has been made for holidays earned, but not taken. Accruals are recognised for material amounts in respect of holiday days, holiday pay, bonuses and other short-term benefits earned but not taken or paid at the date of the statement of financial position.

c. Revised accounting standard – IAS 19 (Employee Benefits)

Revisions to IAS 19 (Employee benefits) came into effect from 1 January 2013 for accounting periods starting after that date, and subsequent amendments as adopted thereafter. The revised standard provides for increased disclosure analysis of pension assets in use, and restricts the estimated rate of return to be earned on pension assets to a level equivalent to the discount rate used in assessing future pension liabilities.

LOSSES AND SPECIAL PAYMENTS

Net operating cost includes certain losses which would have been made good through insurance cover had VisitScotland not been bearing its known risks. Losses and special payments are disclosed in Note 22 to the financial statements.

ACCOUNTING STANDARDS ISSUED BUT NOT YET ADOPTED

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2019, have been adopted, where applicable to VisitScotland.

There are a number of new accounting standards which have been issued, but have not yet been applied by VisitScotland in these financial statements. The standards that are considered relevant to VisitScotland and the anticipated impact on the financial statements are as follows:

IFRS 16 – LEASES

Subject to EU adoption and Exposure Draft process this standard will be included in the FReM with effect from 20/21. The adoption of this standard will affect VisitScotland, as a lessee of property, vehicles and equipment. The new standard provides a single lessee accounting model, eliminating the distinction between operating and finance leases, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The impact on the financial statements has not been determined.



2

Staff costs (included within gross expenditure)

	2019 £'000	2018 £'000
Salaries, Social Security & Voluntary Severance	19,463	19,762
Pension Costs - Current service	6,395	5,361
Provision *(pension adjustment)	110	-
Total staff costs	25,968	25,123

Further details on Total Staff Costs can be found within the Remuneration & Staff report (see page 60).

*A provision has been included for £110,000 in relation to the recent McCloud judgement. This is the estimated liability provided by VisitScotland's actuary.

3

Admin costs (included within gross expenditure)

	2019 £'000	2018 £'000
Travel and hospitality	1,139	1,036
Property, information technology, and office expenses	5,971	4,862
Depreciation of tangible fixed assets	882	945
Amortisation of intangible assets	58	3
Impairment of tangible fixed assets	63	-
Net interest cost and return on pension assets	975	1,009
Loss on Sale of Property	17	15
Trade bad debts		
Written off	25	25
Increase/(decrease) in provision	(42)	26
(Decrease)/increase in past pension provision	(62)	(4)
Total administration overheads	9,026	7,917
Administration overheads also includes:	2019	2018
	£'000	£'000
Fees payable for the audit of these financial statements	71	70
Total audit fees	71	70

4

Retail and commercial income

	2019 £'000	2018 £'000
Retail		
Products income	3,219	3,466
Cost of sales	(1,464)	(1,543)
Gross surplus	1,755	1,923
Other consumer income	48	97
	1,803	2,020
Commercial		
Business promotion and advertising	1,509	1,869
Quality assurance	929	1,013
Miscellaneous income	508	278
	2,946	3,160
Total retail and commercial income	4,749	5,180

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Other income

	2019 £'000	2018 £'000
Local authority income	343	833
Enterprise agency contributions		109
Sundry income	1,058	920
Total other income	1,401	1,862

6

Financing costs

	2019 £'000	2018 £'000
Finance costs		
Interest charge - finance lease obligations	29	46
Total finance cost	29	46
Finance income		
Bank interest receivable (the amount received was under £250)		-
Total finance income		-
Net financing costs	29	46

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Taxation

	2019 £'000	2018 £'000
Corporation tax		
Current tax (the amount payable is under £50)	-	-
Total tax charge	-	-

Current Tax

Corporation tax is calculated at 20% (2018:20%) based on bank interest received during the year.

8

Intangible assets

	Development Costs £'000	Acquired Technology £'000	Software Licences £'000	Total £'000
At 1 April 2017	2,393	1,148	731	4,272
Removal of Indexation	-	159	-	159
Additions	-	48	184	232
At 31 March 2018	2,393	1,355	915	4,663
At 1 April 2018	2,393	1,355	915	4,663
Additions	475	349	108	932
At 31 March 2019	2,868	1,704	1,023	5,595
Amortisation				
At 1 April 2017	2,390	1,148	731	4,269
Charge for the year	3	-	-	3
Removal of Indexation (see Note 9)	-	159	-	159
At 31 March 2018	2,393	1,307	731	4,431
At 1 April 2018	2,393	1,307	731	4,431
Charge for the year	-	12	46	58
At 31 March 2019	2,393	1,319	777	4,489
Net book value				
At 31 March 2019	475	385	246	1,106
At 31 March 2018	-	48	184	232
At 31 March 2017	3	-	-	3
Asset Financing				
Owned/beneficially owned	475	385	246	1,106
Finance Lease	-	-	-	-
Net book value	-	-	-	-
At 31 March 2019				

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Tangible fixed assets

FREEHOLD PROPERTY

All Freehold Land & Buildings, and those held under beneficial ownership, were valued at 31 March 2019 by Graham & Sibbald - Chartered Surveyors, on a fair value basis as defined in the Valuation Standards Standards 2014 (Red Book) issued by The Royal Institution of Chartered Surveyors.

LEASEHOLD FINANCE LEASE PROPERTY

All Finance Leashold properties were valued 31 March 2019 by Graham & Sibbald - Chartered Surveyors on a fair value basis with regard to the remaining heritage interest of VisitScotland.

This is year 3 in our 5 year valuation cycle.

INDEXATION ADJUSTMENT (TANGIBLE AND INTANGIBLE)

An indexation adjustment was applied a number of years ago across three categories of assets. This adjustment could not be applied to individual assets, and therefore, VisitScotland decided last year to unwind this adjustment. The impact of the unwind is shown in both notes 8 and 9.

	Assets Under Construction £'000	Land & buildings £'000	Leasehold improvements £'000	Fixtures, Fittings & Equipment £'000	Computer Equipment £'000	Motor Vehicles £'000	Vintage Railway Carriage £'000	Total £'000
At cost or valuation								
At 1 April 2017	-	2,937	6,264	6,904	2,727	43	497	19,372
Additions	-	-	501	62	220	-	-	783
Removal of indexation	-	-	-	(495)	37	-	-	(458)
Revaluation	-	324	-	-	-	-	-	324
Disposals	-	-	-	(1,056)	(366)	-	-	(1,422)
At 31 March 2018	-	3,261	6,765	5,415	2,618	43	497	18,599
At April 1 2018	-	3,261	6,765	5,415	2,618	43	497	18,599
Additions	800	0	326	18	572	-	-	1,716
Transfer	-	-	-	36	-	-	-	36
Revaluation	-	(843)	-	-	-	-	-	(843)
Disposals	-	(518)	(1,384)	(666)	-	(43)	-	(2,611)
At 31 March 2019	800	1,900	5,707	4,803	3,190	0	497	16,897
Depreciation								
At 1 April 2017	-	435	5,376	6,710	2,165	43	180	14,909
Removal of indexation	-	-	-	(495)	37	-	-	(458)
Charge for the year	-	442	221	121	141	-	20	945
On Disposal	-	-	-	(1,056)	(366)	-	-	(1,422)
At 31 March 2018	-	877	5,597	5,280	1,977	43	200	13,974
At April 1 2018	-	877	5,597	5,280	1,977	43	200	13,974
Charge for the year	-	302	304	53	203	-	20	882
Transfer	-	-	-	36	-	-	-	36
Revaluation	-	(894)	-	-	-	-	-	(894)
On Disposals	-	(285)	(1,381)	(666)	-	(43)	-	(2,375)
At 31 March 2019	-	-	4,520	4,703	2,180	-	220	11,623
Net book value								
At 31 March 2019	800	1,900	1,187	100	1,010	-	277	5,274
At 31 March 2018	-	2,384	1,168	135	641	-	297	4,625
At 31 March 2017	-	2,502	888	194	562	-	317	4,463
Asset Financing								
Owned/beneficially owned	800	705	1,187	100	1,010	-	277	4,596
Finance Lease	-	1,195	-	-	-	-	-	678
Net book value	800	1,900	1,187	100	1,010	-	277	5,274
At 31 March 2019								

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Non-current assets classified as held for sale

	2019 £'000	2018 £'000
Freehold property		
At 1st April	25	433
Assets transferred in year		-
Sale of Assets	(25)	(408)
	-	25
Impairment		-
At 31 March	-	25

Land and buildings which are demonstrably available for sale on the open market, and for which a sale might be expected to be completed within the ensuing year, are classified within current assets, and are valued at market value less sale costs.

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Investment

INVESTMENT IN SUBSIDIARIES

The total cost of shareholdings held in the subsidiaries as at 31 March 2019 is £100 (2018: £100)

SUBSIDIARY COMPANIES

VisitScotland's six subsidiary companies, all of which are wholly owned, are classified as non-trading and dormant, namely:

- Scottish Tourist Board Limited
- Etourism Limited
- TourCo Limited
- Tourist Board Training Limited - Limited by guarantee
- VisitScotland Limited
- Visit Shetland Limited

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Inventories

	2019 £'000	2018 £'000
Retail stock	604	718
At 31 March	604	718

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Trade and other receivables

	2019 £'000	2018 £'000
Current		
Trade receivables	1,466	1,553
less: Provision for impairment (see note 15)	(99)	(141)
Trade receivables - net	1,367	1,412
Prepayments	968	769
Accrued income	15	0
Other receivables	79	10
At 31 March	2,429	2,191

Trade and other receivables reported above include:

Receivables - Public sector balances

	2019 £'000	2018 £'000
Current		
Local Authorities	40	133
Other Central Government bodies	166	421
At 31 March	206	554

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Cash and cash equivalents

	2019 £'000	2018 £'000
Balance at 1 April	5,414	5,371
Net change in cash and cash equivalent balances	307	43
At 31 March	5,721	5,414
The balances at 31 March were held at:		
Commercial banks and cash in hand	3,814	3,500
Government Banking Service	1,753	1,519
Capital receipts unapplied	154	395
At 31 March	5,721	5,414

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Receivables - provision for impairment

Impairment provisions are used to record impairment losses unless VisitScotland is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and written off directly against the financial asset:

Impairment provisions are as follows:

	Trade receivables £'000	Total £'000
At 1 April 2017	114	114
Utilised during year	(25)	(25)
Movement in Provision	52	52
At 31 March 2018	141	141
At 1 April 2018		
Utilised during year	(25)	(25)
Movement in Provision	(17)	(17)
At 31 March 2019	99	99

The following represents VisitScotland receivables for which full provision has been made at 31 March 2018 and the ageing of these variables was as follows:

	2019 £'000	2018 £'000
Under 60 days	-	-
Impairment	-	-
Over 90 days	99	141
Impairment	(99)	(141)
Impaired receivables at 31 March	99	141

Other than amounts due from subsidiary undertakings, receivables assessed as individually impaired were mainly as a result of various bed and breakfast, and hotel establishments, which went into administration, liquidation, etc.

Receivables which are less than three months past their due date are not considered to be impaired.

At 31 March 2019 receivables with a carrying value of £NIL (2018: £NIL) were past their due date, but not considered to be impaired.

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Trade and other payables

a. Current	2019	2018
	£'000	£'000
Trade payables	5,154	1,666
Social security and other taxes	411	378
Amounts owed to subsidiary undertakings	47	47
Accruals	5,141	7,391
Deferred income	567	452
Other payables	175	543
	11,495	10,477
Corporation tax	-	-
At 31 March	11,495	10,477

Trade and other payables reported above include:

b. Public sector balances	2019	2018
	£'000	£'000
Current		
Local Authorities	175	21
Other Central Government bodies	411	509
At 31 March	586	530

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Other borrowings

	Minimum lease payments £'000	Future finance charges £'000	Present value of lease obligations £'000
Within one year	338	(28)	310
Between one and five years	538	(18)	520
After five years	13	-	13
At 31 March 2018	889	(46)	843
Within one year	338	(10)	328
Between one and five years	212	(7)	205
After five years	-	-	-
At 31 March 2019	550	(17)	533

Finance lease obligations are principally for buildings. Terms range from 20 to 25 years and include renewal options if reasonably certain, at the inception of the lease, that they will be exercised.

At the time of entering into finance lease agreements, the commitments are recorded at amounts equal to the fair value of the leased property, or, if lower, the present value of value of the minimum lease payments, using the interest rate implicit in the lease, if this is practicable to determine; if not, the Scottish Government advised interest rate for long-term borrowings is used.

As at 31 March 2019, the finance lease obligations are recorded at their present value at an average interest rate of 6% (2018: 6.0%)

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Operating leases

a. Operating lease agreements where VisitScotland is the lessee

VisitScotland has entered into commercial leases on certain properties, motor vehicles, and items of office equipment. The leases have a duration of between 1 and 15 years.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2019 £'000	2018 £'000
Leasehold properties		
Not later than one year	1,141	1,298
After one year but not more than five years	2,145	2,703
After five years	582	667
At 31 March	3,868	4,668

	2019 £'000	2018 £'000
Leasehold plant & equipment		
Not later than one year	111	78
After one year but not more than five years	90	80
After five years	-	-
At 31 March	201	158

b. Operating lease agreements where VisitScotland is the lessor

VisitScotland undertakes sub-lets of various premises to third parties on a rolling annual renewal basis, prior to arranging formal non-cancellable leases of between 1 and 10 years.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2019 £'000	2018 £'000
Not later than one year	176	177
After one year but not more than five years	149	325
After five years	-	-
At 31 March	325	502

19.1

Post-retirement benefits

BRITISH TOURIST BOARD'S PENSION SCHEME (BTBPS)

VisitScotland is a participant in the British Tourist Boards' Pension Scheme ("BTBPS") providing benefits and life assurance for staff based upon final pensionable salary. The scheme is a multi-employer defined benefit scheme, contracted out of the State Second Pension Scheme, with the principal Employer (also a participating Employer) being VisitBritain together with the other participating Employers, namely VisitScotland, and the Welsh Assembly Government (accrual ceased with effect from 1 February 2009) (VisitLondon ceased to be a participating employer in 2011/12).

A full actuarial valuation was carried out using membership data as at 31 March 2019, by XPS Pension Group, qualified independent actuaries, and the liabilities for these accounting disclosures have been calculated by rolling forward the valuation liabilities from that valuation date to the measurement date (31 March 2019).

During the year ended 31 March 2019, a total contribution of **23.5%** (2018: 23.5%) of pensionable salaries was paid by VisitScotland. This included employees' contributions of 5%, and employer's contributions of 18.5%. Employer contributions paid by VisitScotland for the year to 31 March 2019 amounted to **£1,823,000** (2018: £1,755,000). The rate to be paid during the year to 31 March 2019 by VisitScotland is a composite rate of **18.5%**, plus the deficit contributions due in accordance with the recovery plan.

The Trustees of the Scheme are currently undertaking a review of the level of employers' contributions necessary to meet the ongoing Scheme deficit, in conjunction with assessing the strength of the respective employers' guarantees /covenants support.

VisitScotland's share of the Scheme assets, as disclosed at fair value, amounts to **£79,242,000** (2018: £75,209,000), as compared to its share of Scheme liabilities of **£104,785,000** (2018: £104,777,000) results in the funded status of VisitScotland's share of the Scheme reflecting a liability of **£25.543 million** as at 31 March 2019 (2018: £29.568 million).

Early retirement and enhanced pension liabilities are accounted for under International Accounting Standard 37 'Provisions, Contingent liabilities and Contingent assets' (IAS 37), and are disclosed in Note 24.

Assumptions

BTBPS

After consultation with actuarial advisors the Directors advise that the principal actuarial assumptions used are as follows:

Financial:

As at 31 March 2019	2019 % p.a.	2018 % p.a.
Inflation assumption	2.4 CPI	2.30 CPI
Principal rate of increase in pensionable salaries *1.00% until 31 March 2020, then 2.40% until 31 March 2025, thereafter 3.40%	2.9	2.80 *
Rate of increase for pensions in payment The CPI assumption for 2018 has been calculated as RPI (3.30%) less 1.0% p.a. (2017:RPI (3.40%) less 1.0% p.a.)	2.4 CPI	2.30 CPI
Liability discount rate	2.65	2.70
Expected return on employer Assets	2.65	2.70

Mortality:

Pre and post retirement assumptions are based on the following criteria:

- Male life expectancy is derived from 98% of SAPS S2PMA table with 2016 CMI projections, based upon year of birth, trending to 1.5% per annum.
- Female life expectancy is derived from 98% of SAPS S1NFA table with 2016 CMI projections based on year of birth, trending to 1.5% per annum.

Expected age at death of current pensioner at age 65		
Male aged 65 at year end	87.5	89.7 years
Female aged 65 at year end	89.4	91.6 years
Expected age at death of future pensioner at age 65		
Male aged 45 at year end	89.3	91.4 years
Female aged 45 at year end	91.2	93.4 years

Commutation:

It is assumed that 100% of active and deferred members will commute 10% of their pensions for a cash sum.

Assumptions

BTBPS

Sensitivity Analysis:

The degree of sensitivity to each of the actuarial assumptions is linked to the maturity profile of the liabilities, and the duration of VisitScotland's liabilities within the Scheme as at 31 March 2019, 21 years. (2018: 21 years). Under IAS 19 because the liabilities are discounted by reference to bond yields, whereas the Scheme invests a significant proportion of its assets in equities and other return seeking assets, scheme valuations, as required, are likely to remain volatile in future years.

The approximate impact of a 0.5% change in the respective RPI inflation and discount rate assumptions on the Scheme liabilities is as follows:

a. RPI Inflation

These calculations take into account an appropriate variance in the assumptions for the increases to pensions in payment, for the revaluation of deferred pensions before retirement and for salary growth to ensure consistency with the revised RPI inflation assumption.

	-0.5%	Central assumption	0.50%
	2.90%	3.4%	3.90%
Liabilities	93.9m	104.8m	117.5m

b. Discount rate

	-0.50%	Central assumption	0.50%
	2.15%	2.65%	3.15%
Liabilities	117.9m	104.8m	93.7m

c. Life expectancy

The calculation sets out the effects if life expectancies increase or reduce by one year.

	-1 year	Central assumption	+1 year
Liabilities	100.5m	104.8m	109.0m

These figures are provided for illustration only; they are not intended to be regarded as recommendation for this or for future accounting disclosures.

Movement in fair value of plan asset, defined benefit obligation, and net liability for the year ended 31 March 2019

BTBPS

	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Fair value of employer assets	75,209	-	75,209
Present value of funded liabilities	-	104,777	(104,777)
Present value of unfunded liabilities			
Opening position as at 1 April 2018	75,209	104,777	(29,568)
Service cost			
Current service cost**	(230)	4,082	(4,312)
Past service cost (including curtailments)	-	285	(285)
Effect of settlements	-	-	-
Total service cost	(230)	4,367	(4,597)
Net interest			
Interest income on plan assets	1,879	-	1,879
Interest cost on defined benefit obligation	-	2,704	(2,704)
Impact of asset ceiling on net interest	-	-	-
Total net interest	1,879	2,704	(825)
Total defined benefit cost recognised in statement of comprehensive net expenditure	1,649	7,071	(5,422)
Cashflow			
Plan participants' contributions	429	429	-
Employer contributions	1,823	-	1,823
Transfers in	-	-	-
Benefits paid	(2,129)	(2,129)	-
Expected closing position	76,981	110,148	(33,167)
Remeasurements of net defined benefit obligations			
Change in demographic assumptions	-	(9,718)	9,718
Change in financial assumptions	-	3,467	(3,467)
Other experience	-	888	(888)
Return on assets excluding amounts included in net interest	2,261	-	2,261
Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income	2,261	(5,363)	7,624
Fair value employer assets	79,242	-	79,242
Present value of funded liabilities	-	104,785	(104,785)
Closing position as at 31 March 2019	79,242	104,785	(25,543)

** The current service cost includes administration expenses of £230,000.

Movement in fair value of plan asset, defined benefit obligation, and net liability for the year ended 31 March 2018

BTBPS

	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Fair value of employer assets	75,397	-	75,397
Present value of funded liabilities	-	103,422	(103,422)
Present value of unfunded liabilities	-	-	-
Opening position as at 1 April 2017	75,397	103,422	(28,025)
Service cost			
Current service cost**	(203)	3,780	(3,983)
Past service cost (including curtailments)	-	-	-
Effect of settlements	-	-	-
Total service cost	(203)	3,780	(3,983)
Net interest			
Interest income on plan assets	2,005	-	2,005
Interest cost on defined benefit obligation	-	2,791	(2,791)
Impact of asset ceiling on net interest	-	-	-
Total net interest	2,005	2,791	(786)
Total defined benefit cost recognised in statement of comprehensive net expenditure	1,802	6,571	(4,769)
Cashflow			
Plan participants' contributions	413	413	-
Employer contributions	1,755	-	1,755
Transfers in	21	21	-
Benefits paid	(4,275)	(4,275)	-
Expected closing position	75,113	106,152	(31,039)
Remeasurements of net defined benefit obligations			
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	(2,197)	2,197
Other experience	-	822	(822)
Return on assets excluding amounts included in net interest	96	-	96
Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income	96	(1,375)	1,471
Fair value employer assets	75,209	-	75,209
Present value of funded liabilities	-	104,777	(104,777)
Closing position as at 31 March 2018	75,209	104,777	(29,568)

** The current service cost includes administration expenses of £203,000.

Fair value of employer assets

BTBPS

Asset category	31 MARCH 2019				31 MARCH 2018			
	Quoted Prices	Prices not	Total	%	Quoted Prices	Prices not	Total	%
	in Active	quoted in			in Active	quoted in		
	Markets	Active markets	Markets	Active markets				
£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	
Equity Securities:								
Consumer	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-
Energy & Utilities	-	-	-	-	-	-	-	-
Financial Institutions	-	-	-	-	-	-	-	-
Health & Care	-	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Debt securities:								
Corporate Bonds (investment grade)	-	-	-	-	-	-	-	-
Corporate Bonds (non-investment grade)	-	-	-	-	-	-	-	-
UK Government	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Private Equity:								
All	-	-	-	-	-	-	-	-
Real Estate:								
UK Property	6,777	-	6,777	8.6	6,663	-	6,663	8.9%
Overseas Property	-	-	-	-	-	-	-	-
Investment funds and unit trusts:								
Equities	18,956	-	18,956	23.9	28,546	-	28,546	37.9%
Corporate Bonds	-	-	-	-	-	-	-	-
Hedge Funds	30,937	-	30,937	39.0	12,564	-	12,564	16.7%
Commodities	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Other - LDI repo	20,807	-	20,807	26.3	25,103	-	25,103	33.4%
Other - Insurance Annuities	1,596	-	1,596	2.0	1,777	-	1,777	2.4%
Derivatives:								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Cash and cash equivalents:								
All	169	-	169	0.2	556	-	556	0.7%
Totals	79,242	-	79,242	100	75,209	-	75,209	100.0%

The Scheme has no investments in the Employer, or in property occupied by the Employer(s)

Fair value of employer assets

BTBPS

History of experience gains and losses

As at 31 March

	2019 £'000	2018 £'000	2017 £'000
Fair value of employer assets	79,242	75,209	75,397
Present value of defined benefit obligation	(104,785)	(104,777)	(103,422)
Net pension (liability)	(25,543)	(29,568)	(28,025)
Experience: (Losses)/gains on assets	2,261	96	12,737
Experience: (Losses)/gains on liabilities	5,363	1,375	(12,297)
	7,624	1,471	440
Experience: Cumulative actuarial (losses)/gains recognised	(6,550)	(14,174)	(15,645)

19.2

Post-retirement benefits

LOCAL GOVERNMENT PENSION SCHEMES (LGPS)

VisitScotland participates in a number of Local Government Pension Scheme (“LGPS”), which are defined benefit statutory schemes, administered in accordance with the Local Government Pension Scheme (Benefits, Membership and Contributions) (Scotland) Regulations 2008, the Local Government Pension Scheme (Administration) (Scotland) Regulations 2008, and also the Local Government Pension Scheme (Transitional Provisions) Regulations 2008.

All the LGPS have been contracted out of the State Second Pension Scheme (now ceased), and the consolidated figures from each individual scheme are detailed in the tables below. The latest triennial formal valuations of LGPS Fund, in which VisitScotland participates, was carried out as at 31 March 2018.

The various LGPS Schemes in which VisitScotland participates, together with the employers’ contribution rates for the year, are as follows:

	2019 £'000	2018 £'000
Aberdeen City Council Pension Fund	19.3%	20.8
Tayside Superannuation Scheme	17.0%	17.0
Falkirk Council Pension Scheme	38.9%	24.7
Dumfries and Galloway Council Pension Fund	21.5%	19.5
Lothian Pension Fund	15.2%	15.2
Strathclyde Pension Scheme	29.0%	21.3
Highland Council Pension Fund	33.3%	22.1
Highland Council Pension Fund (Western Isles)	20.4%	21.3
Fife Council Superannuation Fund	24.5%	29.8
Orkney Islands Council Pension Fund	-	19.8
Scottish Borders Council Pension Fund	18.0%	18.0
Shetland Islands Council Pension Fund	40.6%	27.6

Employee contributions are applied in tiers ranging from 5.5% to 12%, depending upon the employee’s pensionable pay on 31 March. Employer’s principal contributions paid by VisitScotland for the year to 31 March 2019 amounted to **£1,374,000** (2018: £1,152,000). VisitScotland’s share of the LGPS Scheme assets, as disclosed at fair value, as at 31 March 2019, amounts to **£67,603,000** (2018: £63,064,000), which when compared to its share of Scheme Liabilities of **£72,365,000** (2018: £68,415,000) results in the funded status of VisitScotland’s share of the Scheme, as at 31 March 2019, standing at a reduced liability of **£4.762 million** (2018: £5.351 million).

The asset split at the accounting date, as shown on page 109, is based on the split of each Fund’s asset as at the most recent date this information was available, and, particularly, the division between those assets with prices quoted in active markets and those where prices are not quoted in active markets is an estimate based on the allocation as provided last year.

Assumptions

LGPS

After consultation with actuarial advisors the Directors advise that the principal actuarial assumptions used are as follows:

Financial:

As at 31 March 2019	2019 % p.a.	2018 % p.a.
Inflation assumption	2.40 CPI	2.30 CPI
Principal rate of increase in pensionable salaries	2.90 **	2.80 *
**salary increases are assumed to be 2.8% across all terms due to the lifting of the 1% pay cap		
*1.00% until 31 March 2020, then 2.40% until 31 March 2025, thereafter 3.40%		
Rate of increase for pensions in payment	2.40 CPI	2.30 CPI
The CPI assumption for 2018 has been calculated as RPI (3.8%) less 1.0% p.a. (2017:RPI (3.40%) less 1.0% p.a.)		
Liability discount rate	2.65	2.70
Expected return on employer Assets	2.65	2.70

Mortality:

Life expectancy is based on the Vitacurves as applied to the Lothian Pension Fund at the 2014 valuation with improvements in line with the core parameters of the CMI2012 model and a long term rate of improvement of 1.25%

Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Expected age at death of current pensioner at age 65		
Male aged 65 at year end	86.9 years	86.8 years
Female aged 65 at year end	89.5 years	89.4 years
Expected age at death of future pensioner at age 65		
Male aged 45 at year end	89.9 years	89.8 years
Female aged 45 at year end	92.7 years	92.6 years

Assumptions

LGPS

Commutation:

The allowance for commutation is consistent with the assumptions used at the formal valuations carried out as at 31 March 2019.

Major categories of plan assets as a percentage of total plan assets

The actuaries have been supplied with a split of each Fund's assets based on the equivalent split provided for 31 March 2019.

Sensitivity Analysis

The degree of sensitivity to each of the actuarial assumptions is linked to the maturity profile of the liabilities, and the duration of VisitScotland's liabilities within the Scheme.

The approximate impact of a 0.5% change in the respective RPI inflation and discount rate assumptions on the Scheme liabilities, if all other assumptions remain unchanged is as follows:

	% Increase in Liabilities	Approximate amount £m
0.5% decrease in Real Discount Rate	10.5%	7.6
0.5% increase in Salary Increase Rate	1.2%	0.9
0.5% increase in the CPI inflation Rate	8.2%	5.9
1 year increase in member life expectancy	3.0%	2.2

These figures are provided for illustration purposes only; they are not intended to be regarded as a recommendation for this or for future accounting disclosures.

Movement in fair value of plan asset, defined benefit obligation, and net liability for the year ended 31 March 2019

LGPS

	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Fair value of employer assets	63,064	-	63,064
Present value of funded liabilities	-	67,246	(67,246)
Present value of unfunded liabilities	-	1,169	(1,169)
Opening position as at 1 April 2018	63,064	68,415	(5,351)
Service cost			
Current service cost*	-	1,799	(1,799)
Past service cost (including curtailments)	-	-	-
Effect of settlements	-	-	-
Total service cost	-	1,799	(1,799)
Net interest			
Interest income on plan assets	1,701	-	1,701
Interest cost on defined benefit obligation	-	1,851	(1,851)
Impact of asset ceiling on net interest	-	-	-
Total net interest	1,701	1,851	(150)
Total defined benefit cost recognised in statement of comprehensive net expenditure	1,701	3,650	(1,949)
Cashflows			
Plan participants' contributions	325	325	-
Employer contributions	1,313	-	1,313
Contributions in respect of unfunded benefits	61	-	61
Benefits paid	(1,787)	(1,787)	-
Unfunded benefits paid	(61)	(61)	-
Expected closing position	64,616	70,542	(5,926)
Remeasurements of net defined benefit obligations			
Change in demographic assumptions	-	-	-
Change in financial assumptions	-	1,769	(1,769)
Other experience	-	54	(54)
Return on assets excluding amounts included in net interest	2,987	-	2,987
Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income	2,987	1,823	1,164
Fair value employer assets	67,603	-	67,603
Present value of funded liabilities	-	72,365	(72,365)
Present value of unfunded liabilities	-	-	-
Closing position as at 31 March 2019	67,603	72,365	(4,762)

* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

Movement in fair value of plan asset, defined benefit obligation, and net liability for the year ended 31 March 2018

LGPS

	Assets £'000	Obligations £'000	Net (liability)/ asset £'000
Fair value of employer assets	62,033	-	62,033
Present value of funded liabilities	-	68,937	(68,937)
Present value of unfunded liabilities	-	1,200	(1,200)
Opening position as at 1 April 2017	62,033	70,137	(8,104)
Service cost			
Current service cost**	-	1,378	(1,378)
Past service cost (including curtailments)	-	-	-
Effect of settlements	-	-	-
Total service cost	-	1,378	(1,378)
Net interest			
Interest income on plan assets	1,668	-	1,668
Interest cost on defined benefit obligation	-	1,891	(1,891)
Impact of asset ceiling on net interest	-	-	-
Total net interest	1,668	1,891	(223)
Total defined benefit cost recognised in statement of comprehensive net expenditure	1,668	3,269	(1,601)
Cashflows			
Plan participants' contributions	262	262	-
Employer contributions	1,092	-	1,092
Contributions in respect of unfunded benefits	60	-	60
Benefits paid	(1,824)	(1,824)	-
Unfunded benefits paid	(60)	(60)	-
Expected closing position	63,231	71,784	(8,553)
Remeasurements of net defined benefit obligations			
Change in demographic assumptions	-	(1,352)	1,352
Change in financial assumptions	-	(1,169)	1,169
Other experience	-	(848)	848
Return on assets excluding amounts included in net interest	(167)	-	(167)
Changes in asset ceiling	-	-	-
Total remeasurements recognised in other comprehensive income	(167)	(3,369)	3,202
Fair value employer assets	63,064	-	63,064
Present value of funded liabilities	-	67,246	(67,246)
Present value of unfunded liabilities	-	1,169	(1,169)
Closing position as at 31 March 2018	63,064	68,415	(5,351)

* The current service cost includes an allowance for administration expenses of 0.3% of payroll.

Fair value of employer assets

LGPS

The Fund's assets are at bid values as required under IAS 19

Asset category	31 MARCH 2019				31 MARCH 2018			
	Quoted Prices		Prices not		Quoted Prices		Prices not	
	in Active		quoted in		in Active		quoted in	
	Markets	Active markets	Total	%	Markets	Active markets	Total	%
	£'000s	£'000s	£'000s		£'000s	£'000s	£'000	
Equity Securities:								
Consumer	7,277	-	7,277	10.8%	4,901	-	4,901	7.8%
Manufacturing	6,534	37	6,571	9.7%	4,299	24	4,323	6.9%
Energy & Utilities	3,413	-	3,413	5.0%	1,439	-	1,439	2.3%
Financial Institutions	5,587	-	5,587	8.3%	3,814	-	3,814	6.0%
Health & Care	3,052	-	3,052	4.5%	1,881	-	1,881	3.0%
Information technology	3,414	2	3,416	5.1%	3,649	2	3,651	5.8%
Other	3,978	147	4,125	6.1%	6,651	246	6,897	10.9%
Debt securities:								
Corporate Bonds (investment grade)	1,399	340	1,739	2.6%	1,269	309	1,578	2.5%
Corporate Bonds (non-investment grade)	-	-	-	0.0%	186	-	186	0.3%
UK Government	3,428	472	3,900	5.8%	1,649	227	1,876	3.0%
Other	5	-	5	0.0%	334	2	336	0.5%
Private Equity:								
All	216	3,743	3,959	5.9%	192	3,320	3,512	5.6%
Real Estate:								
UK Property	1,326	4,201	5,527	8.2%	1,366	4,330	5,696	9.0%
Overseas Property	3	216	219	0.3%	-	22	22	0.0%
Investment funds and unit trusts:								
Equities	3,612	4,996	8,608	12.7%	5,887	8,142	14,029	22.2%
Bonds	497	2,375	2,872	4.2%	688	3,289	3,977	6.3%
Hedge Funds	-	-	-	0.0%	-	-	-	0.0%
Commodities	8	-	8	0.0%	4	-	4	0.0%
Infrastructure	208	812	1,020	1.5%	293	1,148	1,441	2.3%
Other	2,005	1,041	3,046	4.5%	771	400	1,171	1.9%
Derivatives:								
Inflation	-	-	-	-	-	-	-	-
Interest rate	-	-	-	-	-	-	-	-
Foreign exchange	-	-	-	-	-	-	-	-
Other	4	-	4	0.0%	3	-	3	0.00%
Cash and cash equivalents:								
All	2,082	1,173	3,255	4.8%	1,488	839	2,327	3.7%
Totals	48,048	19,555	67,603	100.0%	40,764	22,300	63,064	100%

Fair value of employer assets

LGPS

History of experience gains and losses

As at 31 March

	2019 £'000	2018 £'000	2017 £'000
Fair value of employer assets	67,603	63,064	62,003
Present value of defined benefit obligation	(72,365)	(68,415)	(70,137)
Net pension (liability)	(4,762)	(5,351)	(8,104)
Experience: (Losses)/gains on assets	2,987	(167)	9,227
Experience: (Losses)/gains on liabilities	(1,823)	3,369	(8,561)
	1,164	3,202	666
Experience: Cumulative actuarial (losses)/gains recognised	(1,358)	(2,522)	(5,724)

Total pension scheme employer's contributions reflected in the statement of comprehensive net expenditure

	2019 £'000	2018 £'000
British Tourist Boards' Pension Scheme	1,823	1,755
Local Government Pension Schemes	1,374	1,152
Other Pension Schemes	-	-
At 31 March	3,197	2,907

a. Total pension scheme actuarial losses/(gains) recognised in other comprehensive income

	2019 £'000	2018 £'000
British Tourist Board's Pension Scheme	(7,624)	(1,471)
Local Government Pension Schemes	(1,164)	(3,202)
At 31 March	(8,788)	(4,673)

b. Total deficit on retirement benefit obligations

	2019 £'000	2018 £'000
British Tourist Boards' Pension Scheme	(25,543)	(29,568)
Local Government Pensions Schemes	(4,762)	(5,351)
At 31 March	(30,305)	(34,919)

c. IAS 19 adjustment as disclosed in the performance report

	BTBPS £'000	LGPS £'000
Charges recognised in the statement of comprehensive net income	5,422	1,949
Employers contributions	(1,823)	(1,313)
Contributions in respect of unfunded benefits	-	(61)
Annually Managed Expenditure (AME)	3,599	575

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Financial instruments

VisitScotland has exposure to the following risks from the use of financial instruments:

Liquidity risk; Credit risk; Market risk; Currency risk.

This note presents information about VisitScotland's exposure to each of the above risks. Further quantitative disclosures are included throughout these financial statements.

The Board has overall responsibility for the establishment and stewardship of the risk management framework. The Audit & Risk Committee oversees how Management monitors compliance with VisitScotland's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by VisitScotland.

VisitScotland has no derivative financial assets or liabilities.

a. Liquidity risk

Liquidity risk is the risk that VisitScotland will not be able to meet its financial obligations as they fall due. The organisation's approach to managing liquidity is to ensure that it will have sufficient liquid funds to meet its liabilities as they fall due. VisitScotland's primary source of funds is the Grant-in-Aid provision from the Scottish Government. Other borrowings are representative of the Finance Lease obligations with regard to Leasehold properties reported in accordance with IAS 17, and highlighted in Note 17.

VisitScotland manages its liquidity by the monthly drawdown of Grant-in-Aid, and the daily management of cash resources. Regular monitoring of actual performance against budgets and forecasts takes place to ensure alignment with the annual operating plan.

The following tables summarise the maturity profile of VisitScotland's financial liabilities as at 31 March, based on contractual undiscounted payments.

Financial instruments

Financial liabilities	Net carrying amount £'000	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
As at March 2018					
Other borrowings	843	338	538	13	889
Trade and other payables	10,477	10,477	-	-	10,477
Total financial liabilities	11,320	10,815	538	13	11,366
As at 31 March 2019					
Other borrowings	533	338	212	-	550
Trade and other payables	11,495	11,495	-	-	11,495
Total financial liabilities	12,028	11,833	212	-	12,045

b. Credit risk

Credit risk is the risk of financial loss to VisitScotland if a customer, or counter party, fails to meet its contractual obligations, and arises from the trade receivables.

Credit risk arising from VisitScotland's normal operations is controlled from within the management framework of the Corporate Services directorate, in accordance with the policies and procedures laid down.

Provision is made for doubtful receivables upon the age of the debt and experience of collecting overdue debts. The movement in the impairment provision in respect of financial assets is set out in Note 15.

VisitScotland operates within the Government Banking framework and any remaining cash and cash equivalents are held with AAA rated banks, which are not expected to fail.

The maximum exposure to credit risk at the reporting date was:

	2019 £'000	2018 £'000
Current receivables		
Trade and other receivables	2,429	2,191
Cash and cash equivalent		
Government Banking Service	1,753	1,519
Commercial banks	3,968	3,500
Unapplied capital receipts	-	395
At 31 March	8,150	7,605

Financial instruments

c. Market risk

Market risk is the risk that market prices such as interest rates, foreign exchange rates and equity prices will affect the statement of comprehensive net expenditure, or the value of holdings in financial instruments.

Fair values of financial instruments

The following tables present the fair values of financial instruments compared to the carrying amounts for which these instruments are included in the statement of financial position.

	Within 1 year £'000	Between 1 and 5 years £'000	After 5 years £'000	Total £'000
Fixed interest rate				
At 31 March 2018				
Financial liabilities				
Other borrowings	(310)	(520)	(13)	(843)
Total	(310)	(520)	(13)	(843)
At 31 March 2019				
Financial liabilities				
Other borrowings	(328)	(205)	-	(533)
Total	(328)	(205)	-	(533)
Variable interest rate				
At 31 March 2018				
Financial assets				
Trade and other receivables	2,191	-	-	2,191
Cash and cash equivalents	5,414	-	-	5,414
Financial liabilities				
Trade and other payables	(10,477)	-	-	(10,477)
Total	(2,872)	-	-	(2,872)
At 31 March 2019				
Financial assets				
Trade and other receivables	2,429	-	-	2,429
Cash and cash equivalents	5,721	-	-	5,721
Financial liabilities				
Loans				
Trade and other payables	(11,495)	-	-	(11,495)
Total	(3,345)	-	-	(3,345)

Financial instruments

Fair value hierarchy

VisitScotland's financial assets and liabilities that are valued at fair values are defined as follows:

Estimation of fair values

	2019		2018	
	Carrying amount £'000	Fair value £'000	Carrying amount £'000	Fair value £'000
Financial assets				
Trade and other receivables	2,429	2,429	2,191	2,191
Cash and cash equivalents	5,721	5,721	5,414	5,414
Financial liabilities				
Other borrowings	(533)	(533)	(843)	(843)
Trade and other payables	(11,495)	(11,495)	(10,477)	(10,477)
At 31 March	(3,878)	(3,878)	(3,715)	(3,715)

The following methods and assumptions were used to estimate fair values:

Interest rate sensitivity analyses

Level 1	quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2	inputs other than quoted prices included within level 1 that are observable for the asset or liability (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3	inputs for the asset or liability that are not based on observable market data (i.e. unobservable market inputs).
	All material VisitScotland financial assets and liabilities are defined as level 3 instruments.

Loans

Trade and other receivables	The fair value is deemed to be the same as the carrying value, less any provision for impairment.
Cash and cash equivalents	The fair value is deemed to be the same as the carrying value.
Trade and other payables	The fair value is deemed to be the same as the carrying value.
Other borrowings	The fair value is deemed to be equal to the net present value of future lease payments.

Financial instruments

Cash and cash equivalents

VisitScotland operates within the Government Banking framework and by so doing does not engage in depositing monies outwith the framework. As a consequence there is minimal interest receivable on its daily bankings, and therefore the sensitivity analysis previously applied to monies held on deposit, and shown for illustrative purposes only, is no longer considered to be necessary.

d. Currency risk

VisitScotland is exposed to currency risk on transactions and balances that are denominated in currencies other than sterling. Where practical, VisitScotland enters into agreements in its functional currency in order to minimise currency risks.

VisitScotland is exposed to currency risk from its activities conducted overseas, but does not enter into any hedge arrangements, and does not consider such currency risk to be material.

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Provisions

	McCloud provision £'000	Dilapidation provision £'000	Pension provision £'000	Total £'000
At 1 April 2017	-	-	120	120
Utilised	-	-	(19)	(19)
Charged	-	-	15	15
At 31 March 2018	-	-	116	116
At 1 April 2018	-	-	-	-
Utilised	-	-	(76)	(76)
Charged	110	545	14	669
At 31 March 2019	110	545	54	709

VisitScotland is liable for the pension associated with past chairmen, and the provision is adjusted, as necessary, to account for the timing of payments, and the resultant annually discounted liability.

The provision for dilapidations is where we have a liability for dilapidations charges and a cessation event within 12 months, however we do not have an exit date confirmed or exit planned.

The McCloud provision is in relation to the June 2019 outcome following the hearing of the UK government appeal against the ruling that transitional protections built into new pension schemes are age discriminatory. This provision has been created as the potential liability has not been reflected in the pension liabilities as presented in the IAS 19 note. VisitScotland has consulted with its actuary and have concluded that the judgement only affected LGPS schemes with a potential liability of £110,000. Management have reviewed this and agreed to include a provision for £110,000 in the Balance Sheet as at 31 March 2019.

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Losses and special payments

	2019 £'000	2018 £'000
Total losses for the year were:		
Trade bad debts written off	25	25
At 31 March	25	25

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Capital commitments

As at 31 March 2019 there were capital commitments of £160k (2018: none) in relation to the completion of assets under construction.

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Contingent liabilities

The impact of the change in accounting policy in 2012 with regard to the treatment of Government grants, etc., was such that the grants will no longer be held in reserve with amounts being released over the life of an asset. However, there remains the possibility that, until the official timeline expires in respect of a number of the grants that have been received, there may be a requirement to repay a proportion of such grants in the event that the associated assets were to be sold or the nature of their use was to be changed.

The valuation of LGPS pension liabilities at 31 March 2019 does not include an allowance for a potential 'past service cost' in light of the Lloyds judgement on guaranteed minimum pension (GMP) equalisation. At this point in time, VisitScotland is unable to reliably quantify an associated contingent liability.

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Related party transactions

VisitScotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government, which in turn, is regarded as a related party. During the year VisitScotland has had various material transactions, excluding Grant-in-Aid, with the Scottish Government, and with other entities for which the Scottish Government is regarded as the parent body.

Details of material transactions with other Government bodies and companies where Board members, Directors and senior staff, have an interest, are disclosed, as follows:

Representative	Company name	Role	Nature of supply	Sales to £'000	Debt balance £'000	Purchase from £'000	Creditor balance £'000
Anne Anderson	University of Glasgow	Vice-Principal	Promotions/marketing projects			11.5	1.5
Rebecca Brooks	Scottish Tourism Alliance	Non-Executive Director	Sponsorship/marketing	2	0.1	1.2	0.2
	Abbey Scotland	Managing Director		6	0.6	-	-
Cathy Craig	Argyll & The Isles Tourism Co-operative Ltd	Board Member	Sponsorship	2	-	11	-
Gordon Dewar	Edinburgh Airport Ltd	Chief Executive Officer	Retail commission/Services	3	-	29	-
	Scottish Tourism Alliance	Non-Executive Director	Sponsorship/Mktg	2	0.1	1.2	0.2
Stephen Dunlop	Scottish Canals	Chief Executive Officer	Promotions/Rent	-	-	33	-
Stephen Hagan	David MacBrayne Ltd (Calmac Ferries Ltd)	Non-Executive Director	Sponsorship / Mktg	10	1.4	53	0.7
Calum Ross	Argyll & The Isles Tourism Co-operative Ltd	Vice Chairman	Sponsorship	2	-	11	-
	Scottish Tourism Alliance	Non-Executive Director	Sponsorship/Mktg	2	0.1	1.2	0.2
	Loch Melfort Hotel	Partner	Room hire	0.2	0.2	0.6	0.5
Caroline Roxburgh	Edinburgh International Festival	Board Director/Trustee	Event sponsorship grant	-	-	68	-
Paul Bush	Edinburgh Military Tattoo	Ambassador	Sponsorship	2	-	0.4	-
	Commonwealth Games Scotland	Chair	Sponsorship	3	-	-	-
Malcolm	Diageo	Shareholder	Event partner	4	-	-	-
Roughead	Edinburgh Military Tattoo	Ambassador	Sponsorship	2	-	0.4	-

With the exception of the transactions described above, none of the other Board Members, key management staff, or other related parties, has undertaken any material transactions with VisitScotland during the year.

The nature of VisitScotland's operations, and the composition of its Board make it very likely that transactions will take place with companies or other organisations in which a member may have an interest. All transactions involving companies, or organisations in which a member may have an interest, are conducted at arm's length in the normal course of business, and in accordance with VisitScotland procurement guidelines and expenditure approval limits.

